

# FAR EASTERN ECONOMIC REVIEW

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|  |  |  |
|--|--|--|
| <b>Private Enterprise Prospects in</b>       | <b>Taiwan</b>                                | <b>Philippines</b>                                 |
| China ..... 705                              | Financial Position of Taiwan .... 715        | Economic Review of the Philip-<br>pines ..... 723  |
| <b>Hongkong Products Exhibition</b> .... 707 | Civil Air Transport ..... 717                | Economic Reports from the<br>Philippines ..... 728 |
| <b>The Reform Club of Hongkong</b> ..... 709 | <b>Japan</b>                                 | <b>Finance &amp; Commerce</b>                      |
| <b>China</b>                                 | Japan's Wool Industry ..... 718              | Credit and Speculation in HK .. 729                |
| Reports from China ..... 711                 | Economic Letter from Tokyo .... 721          | HK Exchange Markets ..... 730                      |
| Private Enterprise in China ..... 714        | Emigration Aid Company in<br>Japan ..... 722 | HK Share Market ..... 732                          |
|  | International House of Japan .... 722        | Trade Reports ..... 733                            |
|  | Japanese Toys and Dolls ..... 722            |  |

## PRIVATE ENTERPRISE PROSPECTS IN CHINA

A new stage has been reached in the assimilation by the State of private enterprise in China. It is high-lighted by the transformation of the internationally known Wing On Company—one of the pioneer department stores in which Australian Chinese and the native-born have been conspicuously successful. In many areas recently, all private industrial enterprises in a given trade have become joint State-private firms en bloc. Joint State-private ownership is the "higher form of State Capitalism," which other forms of economy must all go through on their pilgrimage to the goal of full Socialism. After an entire trade is "jointly owned," the State becomes much the more senior partner, and production and management are brought into the closest conformity with the State plan. This, say the Communists, is the decisive step towards the gradual elimination of "exploitation" by private enterprise—and, they might perhaps have added, the beginning of exploitation by the Government. Thus both in industry and commerce and in agriculture there has been a considerable bound forward in the last half of 1955, but the policy is still one of relative gradualism. In a comment on the Socialist transformation of private industry and commerce the Peking People's Daily noted that China will take about three five-year plans to finish, in the main, this particular job and establish a Socialist society. It added that this is the only "bright road" for capitalists because China has already set up "a mighty people's democratic regime led by the working class and based on the alliance between the workers and the peasants," and the influence of the capitalist class on the peasantry and the petty-bourgeoisie is being "constantly diminished."

Large numbers of private industrial and commercial enterprises have been transformed into different stages of State capitalism in the past six years. By the first half of 1955, there were more than 1,900 joint State-private industrial enterprises. The ratio of production of joint enterprises to private enterprise is roughly 3 to 5. In commerce, the main private trades whose sources of supply are controlled by State and co-operative trade have nearly all been organised into State Capitalism. A plenary session of the Executive Committee of the All-China Federation of Industry and Commerce in Peking on Nov. 21 sent a resolution and an open letter to all private industrialists and businessmen calling on them to take a "positive attitude" toward Socialist transformation. Most of the 174 committee members and 51 observers who took part in the discussions were representatives of private industry and commerce in different parts of the country. Before they met Mao Tse-tung himself invited the representatives to a preliminary discussion. He explained how China intended to build Socialism and precisely the place of private industry and trade in this. At the proceedings of the Committee later Vice-Premiers Chen Yun and Chen Yi explained Government policy and detailed measures for the Socialist transformation of private enterprises. Group discussion extended over a fortnight, and in the subsequent plenary talks more than 70 members passed their comments. They asserted that careful arrangements had been made to ensure "reasonable private incomes" for those whose enterprises had been taken over by the State. Many of them also described the various problems arising in the course of transformation and explained how these had been settled. The Vice-Chairman of the



Federation, in his closing speech, said that the discussion had "helped members considerably in accepting the need for gradual transformation of capitalist ownership to public ownership."

By the end of November 160 private factories of light industry in Shanghai had been incorporated into 100 joint State-private enterprises. They include textile, paper, flour, rice mills and tobacco and enamelware factories. All the 600 personnel representing the capitalist interests in the private factories, it was stated, had been given positions in the joint enterprises, and 400 of them had been appointed managers, vice-managers, directors and vice-directors. In the North China port of Tientsin all private factories with more than 500 workers have become joint enterprises. In the first nine months of 1955, 197 private enterprises came under joint operation. The majority of smaller private factories with more than 100 workers have also become joint enterprises. It is estimated that nearly half the total output in value of Shanghai's entire private industry has now come under joint ownership, and more than 90% of the remainder is being produced under direct manufacturing or processing contracts with the State. Before this transformation started half the country's industrial output in terms of value came from Shanghai. The transformation took the form of converting all concerns engaged in a particular branch of industry to joint ownership. All cotton, woollen and jute mills, tobacco factories, enamelworks, paper mills, flour and rice mills, were involved. Many smaller factories were amalgamated with bigger ones to achieve better management and secure fuller use of equipment. Enterprises in heavy industry, including machine and electrical equipment factories and chemical works, have also been amalgamated, since coming under joint ownership this year. Nearly half the private commerce in China has now been organised into one form or another of state capitalism. In the entire retail trade, state retails and those of consumers' co-operatives take up 52%, while 23% goes to State Capitalism and 25% to private trade. All private traders in foodstuffs, edible oil and textiles are either handling the distribution through contracts with State-owned companies, or have become sales agents for the State. Private traders in meat, tobacco, wine, medicine, tea, petroleum, coal and other items important to the economic life of the country have mostly become agents for the State.

In its editorial on the subject the People's Daily stated that the Communist Government's policy towards capitalist industry and commerce is based on the fact that the national bourgeoisie in varying degrees took part in or adopted a neutral attitude toward the people's revolution against imperialism and feudalism, and then, after the Government had been formed, adopted support of the new regime. It was necessary for the people's regime to establish an economic alliance with co-operative elements of the national bourgeoisie, so as to develop the positive sides of capitalist industry and commerce which

for a certain period were beneficial to national welfare and the people's livelihood. Statistics for 22 provinces in the first half of this year showed that the total value of State orders for the manufacture or processing of goods made up 78.8% of the total output of private industry in value. The statistics of 12 big and medium cities (including Peking, Tientsin, and Shanghai) showed that it had made up 85.3%. It is argued that the political outlook of the industrial and commercial circles had also undergone tremendous changes. Since the notorious *wu fan* campaign against the bourgeoisie and private entrepreneurs in 1952, "criminal acts" of the sort against which the activists acted had decreased, relations between workers and management had improved and the system of supervision of workers had started in many enterprises. Many industrialists and businessmen had even started "regular political study," which had helped them to acquire "a better understanding of the laws of social development, current events at home and abroad, and the policy and decrees of the People's Government." A group of patriotic and progressive people had



## HONGKONG PRODUCTS EXHIBITION

The 13th Exhibition of Hongkong Products, opened last week by the Governor of Hongkong, is the largest ever held here occupying 160,000 square feet on the Central Reclamation. The Chinese Manufacturers' Union which sponsored the exhibition reported that there are 721 stands this year as compared with 360 in 1951. The exhibition this year also displays imported industrial products such as ball bearings, sewing machines and other equipment. During the first 3 days over 135,000 persons including trade delegates of overseas Chinese merchants from Thailand, the Philippines, Vietnam, and a group of Japanese merchants from Okinawa visited the display. Hongkong products on exhibition include an electric clock which runs on a single torchlight battery, steel ropes, elastic plasticware, giant vacuum containers, and many other novel articles. This year's exhibition shows many improvements in various products. There is much to be done to promote industrial development here; and the Governor at the opening ceremony again urged local industrialists to send promising young men abroad to study the social and administrative skills and techniques required for modern industrial management. The chairman of the Chinese Manufacturers' Union (Mr. Hui Ngok) announced that in order to raise funds for the proposed technical college, the Union had appealed to local industrialists not only for cash contributions but also for donation of prizes for lottery tickets which are now on sale at the exhibition (2 automobiles are among the prizes).

The Union chairman in his formal address first urged speed-up of site formation at Kun Tong, then informed the public that small factory owners were now being advised to move their plants into multi-storeyed buildings so as to make maximum use of land. There was most urgent need for new sites to build factories. Technical training will be advanced and a technical college is being planned. A permanent display centre would soon be established as the present one is totally inadequate.

already emerged, it was asserted, in these circles, who were not only willing to "receive Socialist transformation themselves," but were capable of converting others. These would become the core of the acceptance of Socialist transformation. But this did not mean all would go well. The transformation was still "a deep-going class struggle, even though it be conducted on peaceful lines." Resistance was inevitable and it may still be necessary to rely on State power and the people's strength to overcome this resistance. There are still many instances of law violations; acts of oppressing and bribing workers; and acts resisting Socialist transformation that must all be opposed and checked. There should therefore be no relaxation of vigilance, and even the authorities themselves were lagging behind the needs and possibilities.

The paper therefore called for the strengthening of the work of Government and Party officials; and the making of "proper explanations" on policy. Marx was of the opinion long ago that under certain conditions it would be more expedient for the working class which had seized power to "buy off" the bourgeoisie to achieve the peaceful victory of Socialism.

**Governor's Address.** In his formal address, H.E. the Governor outlined industrial problems and projects as follows:—With regard to industrial sites, the initial area reclaimed at Kun Tong will be ready and sold within the next few months; Government will press on towards completion of the full scheme. If found that the considerable area available at Kun Tong is insufficient, Government will examine the possibility of providing further sites. Regarding the drive to raise funds for the establishment of a Technical College in Kowloon both Government and the people here owe the Union a debt of gratitude. If the required million dollars is found, Government will press on with the first stage of the project. The cost of this first stage will be two millions. It is clear, however, that it will be some time before the Colony can offer to those who will be managing its industry in the future, comprehensive training. Therefore promising young men should be sent abroad to study the social and administrative skills and techniques required for industrial management. There is no doubt about the utility of a permanent display of HK products. There is an old saying of the Scots, which runs:—"They say. What say they? Let them say." But even the Scots do not adopt this independent attitude when it comes to telling the world about their industries, and certainly we must continue to tell it about ours. To reinforce your permanent display here, smaller travelling displays are being arranged by the Department of Commerce and Industry on certain ships visiting ports as far afield as South America. One of these displays was recently completed. The value of our participation in trade fairs abroad was again demonstrated this year at the British Industries Fair and the Canadian International Trade Fair. Next year Government will once more be sponsoring Colony exhibits abroad, possibly breaking new ground in Europe, but the question of the fairs to be attended is still under consideration. Since personal contact gives the best opportunity for effective salesmanship, displays should be supplemented by delegation, composed of members of the Union and other trade organisations and possibly of Government, sent to both established and new market areas to promote our exports.

Factories have increased in number, and so far the percentage, by value, of exports of local products in relation to total exports has risen slightly over last year's figures. The value of total exports, however, has risen appreciably and local manufactures sent abroad in the first ten months of this year valued \$30 million more than those exported in the same period last year. An interesting feature is that the United Kingdom is for the first time well out in front as the leading purchaser of our products. If we all continue to work together for the good of Hongkong as we have done up till now, we will march further along the road of success.

### EXHIBITORS

The following factories, business enterprises and importers have taken part in the present Hongkong Products Exhibition (with International Machinery Display):—

#### COTTON WEAVING

Thomson Weaving, Dyeing and Finishing Factory; Man Ngai Weaving Fty.; Kai Ming Co.; The Sam Kwong Weaving Factory (1952) Ltd.; Pak Lam Weaving Factory; Tai Kwong Dyeing & Weaving Factory; Greenpine Weaving and Dyeing Mills, Ltd.; Sam Yau Weaving Factory; Hongkong Cotton Spinners Association; The United Weaving Factory.

#### KNITTING

Lee Yu Hing Knitting Factory; Kam Sing Knitting Factory; Philip's Knitting Fty., Ltd.; Chun Au Knitting Factory; Lee Kung Man Knitting



Factory (Hongkong) Limited; Carloon Hosiery Factory; Everlasting Nylon Knitting Mills, Ltd.; Min Ngai (Huat Kee) Knitting Factory, Ltd.; Chuen Sun Knitting Factory, Ltd.; Wah Nam Knitting Factory; Far Eastern Knitting & Weaving Factory, Ltd.; Sheung Hing Knitting Factory; Sino-British Textile Pty. (Dyeing, Printing & Knitting).

#### **DYEING**

Tai Shing Dyeing & Weaving Works, (H.K.) Ltd.; Degas Printing & Knitting Factory; China Dyeing Works, Ltd.; Sino-British Textile Factory (Dyeing, Printing Knitting).

#### **SILK WEAVING**

Mei Wah Silk Factory.

#### **WORSTED SPINNERS**

Pacific Worsted Mills.

#### **SHIRTS**

The Comfort Clothing Factory; The Spear Shirt Co.; United Shirts Factory; Standard Shirts Dyeing, Weaving & Finishing Mills (H.K.) Ltd.; Union Shirts Manufactory; Tung Yick Garment Mfg., Co.; Man Wah Shirt Mfg., Factory; Shing Chong & Co.; Mayford Clothing & Plastic Factory; Lop Shun Embroidery Arts.

#### **COTTON SPINNING**

Far East Cotton Industries, Ltd.

#### **METALWARE**

Hongkong Chiap Hua Mfy. Co., (1947) Ltd.; Choy Lee Lung Metal Factory; Hongkong Steel Ropes Co.; Gold Coin Metal Mfy.; Diaward Steel Works; Kam Cheong Brass Wire Sieve Factory; Ying Kee Safe Factory; Lee On Safe Manufacturing Co.; New China Cutlery Mfg., Co.; Tung Woo Navigation Lantern Mfy.; Dah Chung Industrial Co., Ltd.; Tai Wah Furniture Company; The Hongkong Industrial Co., Ltd.

#### **CANS**

China Can Company (Hongkong) Limited.

#### **ENAMEL PRODUCTS**

New China Enamelware Co., (HK) Ltd.; I Feng Enamelling Co., (H.K.), Ltd.; Lucky Enamelware Factory, Ltd.; Hung Fung Enamelware Factory.

#### **VACUUM FLASKS**

Freezinhot Bottle Co., Ltd.; E. Penn Industrial Manufactory, Ltd.; Wei Yit Vacuum Flask Mfg.

#### **RUBBER PRODUCTS**

Fung Keong Rubber Manufactory, Ltd.; Leda Industries (Rubber Works) Ltd.; International Rubber Manufactory; Rainbow Latex Products Manufacturing Company.

#### **PLASTICS**

Winsome Plastic Works; Cheng Ho Arts & Crafts; China Plastic Co.; Advance Plastics Factory; Sunlite Plastics Company; Cheung Kong Co.; Evergreen Plastic Industrial Co.; May Dig Plastics Factory; Kader Industrial Company, Ltd.; Nylx Company; Good Ever Plastics Works.

#### **BRUSHES**

W. Haking Industries (Brush Works) Ltd.; Kai Yuen Industrial Company; Tai Tung Brush Mfg. Co.; Star Brush Manufacturing Co.; Tile Brush Corporation.

#### **CHEMICALS**

Tien Chu Ve-Tsin Chemical Industries (H.K.) Ltd.; Far East Candle & Chemical Works.

#### **SOAPS**

Shanghai Soap Factory; Chung Wah Kui Kee Soap Works.

#### **COSMETICS & PERFUMERY**

Sincere Co. (Perfumery Manufacturers) Ltd.; Bakilly Company Ltd.; (Perfumery Manufactory); Lucky Perfumery Co.; Far East Perfumery Manufactory Co.; King's Cosmetic Co.; Begonia Perfumery Manufacturing Company; E-U & Company.

#### **PRINTING**

Wing Fat Printing Company, Ltd.; First National Printing Company, Ltd.; Sun Sun Printing Works; Union Printing Company; International Chemical Industries Chemical Division of International Import & Export Co.; Tai Chong On Kee Book Store; Tai Chong Book Store.

#### **STATIONERY**

Luen Sing Chinese Pen Store; Jub Tai Choon Fans Factory; Far East Stationery Works; Yit Pom Pen Co.; World Pencil Co., Ltd.; Yan Sang Cheong.

#### **PAPER PRODUCTS**

May Fair Scented Artificial Flower Manufactory.

#### **UMBRELLA**

Leung So Kee Umbrella Factory; See Loy Umbrella Factory; Universal Umbrella Factory.

#### **GLASSWARE**

Hongkong Marble Glass Manufactory.

#### **IVORY WARE**

See Cheong Ivory Shop; Kwong Fat Cheung Majong & Ivory Works; Tack Cheung Ivory Factory; Man Hing Ivory Factory.

#### **MEDICINE**

Po Chai Medicine Co.; Yeung Ng Tong Medical Manufactory; Hoe Hin Co. Pak Fah Yeow; Chan Tau Chinese Medicine Co.; Kun Wing Fook Medicine Factory; Ling Chi Medicine Co.; Luk Chi Fu Medicine Co.; Tin Hee Tong Medicine Factory; Delta Laboratories; Ho Chai Kung Drugs; Leuter Medical Factory; Hongkong Medicine Co.; Sui Wo Cheung; Leung Kai Fook Medical Store; Si Kiang Medical Co.; Kong Pak Chiu Medicine Factory; Kwan Tak Hing Medicine Store.

#### **SEASONING & PRESERVED FRUITS**

Yu Kwen Yick; Tso Hin Kee Oyster Sauce Factory.

#### **NOODLES**

Wai Sun Yan Kee Noodles Factory; Pak Kut Milk & Noodle Production Co.

#### **CANNED GOODS**

Amoy Canning Corp (Hongkong) Ltd.; Oriental Soy & Canning Co., Ltd.

#### **BISCUITS & CONFECTIONERY**

Garden Co., Ltd. Bakers & Confectioners; On Lok Yuen Co., Ltd.; Chun Hing (H.K.) Co., Ltd.; Yuen Tong Kee; Yan Chim Kee; M. P. San & Co., Ltd.

#### **GOURMET POWDER**

Maui-Kong Ve-Pein Mfg., Co.

#### **FOODSTUFFS**

Chui Yuen Foodstuff Co.; Koon Yick Co.; Sham Yick Apiary; Teen Fook Hong; Booth Edible Oil Corp.; Wing Kee Canned Food Co.; Kuen Kee Hong Foods Factory; Palmetto Food Manufacturing Co.; Po Shang Yuen Bee Farm; South China Co.; Lan Heung Shut Cafe.

#### **WINE & SPIRIT**

H.K. & Kowloon Chinese Liquor Merchants Guild; Kiu Yuen Wine Co.

#### **AERATED WATER & ICE CREAM**

Connaught Aerated Water Co., Ltd.; Finland Ice-Cream & Food Products Co., Ltd.; Co Co Ice-Cream & Co.; On Lok Yuen Co., Ltd.

#### **LEATHERWARE**

Wing Sang Company; Chun Wah Leather Ware Co.

#### **CIGARS & CIGARETTES**

Nanyang Brothers Tobacco Co., Ltd.

#### **HATS**

Sam Cheong Company Hat Factory; Tung Fong Hat Factory.

#### **FLASHLIGHTS & BULBS**

Kuang Ming Flashlight Bulb Mfg. Co., Ltd.; Everlight Mfg. Co.

#### **BATTERIES**

Hing Wah Battery Factory.

#### **MACHINERY**

Tat Ming Engineering Works.

#### **MIRRORS**

Chun Kwong Co.

#### **TAILORS**

Art's Factory.

#### **MISCELLANEOUS**

Jeans Studio; International Art Studio; Hip Shing Brassieres Mfg. Company; Rita Brassiere Co.; Sino-Art Lamp Shade Factory; Lee Wah Neonlight Co.

#### **SOCIAL SERVICE**

Hongkong Council of Social Service; Po Leung Kuk.

#### **INTERNATIONAL INDUSTRIAL MACHINERY**

Overseas Limited; East Asiatic Co., Ltd.; Big Hoi Company, Hongkong; Standard Sewing Machine Company; Shunts Electrical Engineering & Supply Co.; Chun Kit Machinery Factory; Scientific Service Co.; Shewan, Tomes & Co., Ltd.; Ekman Foreign Agencies (China) Ltd.; Swedish Trading Co., Ltd.; Great Sea Company; Jardine Engineering Corporation, Ltd.; San Miguel Brewery Hongkong, Ltd.

# THE REFORM CLUB OF HONGKONG IN 1955

Housing; Legislature; Cost of Living; Urban Council; Club House; General Recommendations; New Political Party

By Brook Bernacchi

(Chairman, Reform Club of Hongkong)

The year 1955 has been a year of achievements perhaps to some extent highlighted by my own recent visit to England where I was particularly concerned with obtaining assurances as to the future of the Housing Authority. It is necessary that the Housing Authority, that is to all intents and purposes, the Urban Council plus two other Members, should be assured that funds will be made available to continue on a large scale the low cost flats which it is building for Hongkong residents particularly office workers, teachers and others whose salaries are in the middle income groups between about \$300 and \$800 a month. During next year the Housing Authority will call for registration in respect to its first block at North Point which should be followed in respect to the block at West Point and details as to how to register will then be published. As regards housing for the lower income groups the Reform Club through its Elected Members on the Urban Council will press for the completion of forty multi-storied blocks in the resettlement areas to be completed by next summer. These will house over 100,000 persons. The Reform Club feels that it was to a large extent its agitation over the former unsatisfactory method of resettlement that led to the Government's acceptance of the Urban Council recommendations to build these multi-storey blocks which are now let by the Urban Council for \$14 a room.

During the course of 1955 we prepared a comprehensive report on Development and Slum Clearance. A copy of this report was left with the Colonial Office in London and is now receiving consideration from officers in Hongkong and in London.

We should not get too involved with problems at the Urban Council level. There are many things of vital importance such as education, most of the medical services and the like, which have nothing to do with the Urban Council and which afford the strongest example of the need for elected representation on the Legislature. Heads of Government Departments should be kept on their toes by constant pressure of searching questions fired at them on the Legislative Council. Our Appointed Members, some of whom have the audacity to call themselves representatives of the community, seldom ask a single question in Council and when they do it is, in most cases, a stage managed affair initiated by Government who want a certain question asked when the Government is ready to make a certain matter public. We have again encountered an extraordinary attitude of some Civil Servants who wish the most ordinary matters to be treated as almost top secret. The Director of Public Works however is setting a very good precedent in respect to the water question. We are tolerating these terrible water restrictions simply because we are being fully informed of the position and are therefore able ourselves properly to appreciate its seriousness.

Some time ago the Reform Club forwarded to Government a report in respect to cost of living (C.O.L.) indices and recommended that a new and full survey and review of C.O.L. is essential. The Club was informed that Government was unable to undertake a new survey but would be

interested to see the result if the Club decided to enlist the assistance of various independent organizations to carry out such a survey. We have accepted this challenge.

The Urban Council will have another four elected seats; however, the ultimate proposals acceptable to the Appointed Members who, unfortunately, are still a majority of Unofficial Members on the Council, involved an additional two Appointed seats as well. I have every hope that Government has accepted in principle that the Urban Council should develop into a properly elected Municipal Council. We may however still expect some hard fights before this is accomplished. The new City Hall plans provide for an Urban Council Chamber on approximately the same scale as the size of the present Urban Council. The Reform Club felt that this was a retrogressive step as being contrary to the idea of the Council developing into a much larger and more representative body and about a year ago we proposed that this accommodation be not accepted. Our proposal was turned down by the rest of the Council and a counter-proposal that it be accepted was passed. However, the Urban Council has recently changed its mind on this and has now recommended that the new accommodation be not accepted as we originally suggested.

Land is desperately short in Hongkong but it would appear that the next stage of the central reclamation carrying it on to the Vehicular Ferry Wharf will be put in hand soon and the Reform Club intends to press for a reservation of part of this new reclamation to be developed as a proper Municipal Council. We have now for nearly two years seen the first stage of the central reclamation used only as a car park and site for exhibitions; in the coming year the Reform Club will press that the building of the new Town Hall and Civic Centre be commenced.

Negotiations with Government for a club house site would appear to have reached a deadlock. The Club was and is prepared to develop a site that would include considerable low cost housing accommodation for Reform Club Members. Government encourages firms and certain other organizations to provide low cost housing schemes for their employees or other selected individuals. In other words these private schemes are not conditional upon any requirement that the housing accommodation should be made available to the public at large and indeed as Government is well aware accommodation limited to Members of the Reform Club would in fact reach a very fair cross-section of the Hongkong communities and Government's refusal to meet the Club in this matter and demand that we go to public auction where we must compete against wellknown speculators in land is unreasonable. At the time of the introduction of the Housing Authority Ordinance, H.E. the Governor made it clear that it was Government's policy to continue to assist low cost housing schemes developed under private enterprise; in fact the Reform Club is aware that one such private organization, at least has received identical terms with those afforded to the Housing Authority, namely, not only a grant of land without going to public auction but also for the grant at only half the upset price. We insist that Government either makes its terms for low cost housing by private enterprise open to every organization, subject of



course to proper safeguards as to accounts and the like, or the scheme is abandoned in favour of placing all low cost housing under the Housing Authority in which case there is a further argument for ensuring that adequate funds are made available to the Housing Authority for this purpose.

We have continued to press in educational and medical spheres; a Sub-Committee has recently been appointed on prisons and juvenile delinquency; a further report is to be released on technical education, and in extension of our overall report on low cost housing and slum clearance we shall make recommendations concerning development for certain areas as possible dormitory or satellite town areas. The Civic Liberties Committee have continued with regular weekly sessions at which a large number of people attend. The Reform Club never hesitates to criticise Government where criticism is needed but our aim is to enhance the real prestige of British Government in Hongkong and furthermore we do not hesitate when we feel that Government is in the right to come out and say so even though this may be contrary to the opinion of other influential bodies in the Colony or even be detrimental to the number of votes likely to be cast for representations put up by the Club at elections. An example of this occurred recently in the agitation about importation of rice where the Reform Club felt that, subject to certain improvements that could well be introduced, the retention of the basic rice importation policy although inclined to be monopolistic was in the best interest of the community at the present time. Government, however, would be well advised both in matters of rice and other essential commodities to set up a General Control Board on which persons who can genuinely claim to represent interested branches of public opinion or public welfare be invited to sit.

The Reform Club of Hongkong was founded as a liberal body with a Memorandum so worded as to enable many reformers to join the Club despite wide divergencies as to the particular forms of reform that they would like to see. This worked very well until the Reform Club felt that it was necessary to give a public lead at the time of the first post-war elections to the Urban Council. We felt and still feel strongly that the public voice can only be properly represented by a team and that the idea of a team must of necessity involve the principle of what is known as party politics; a principle sometimes derided by those who wish to see the public represented by a number of independent individuals unable to represent or put forward any opinion that can be said to command support from the public. The United Kingdom, the pioneer in all questions of democratic government, has still been unable to find any better alternative than the party system. The Reform Club is more and more regarded as simply a political party and people do not realise that we are indeed primarily a Club. The basis of our whole being is that in desiring to advance all matters appertaining to the welfare of the community we feel that the first and most essential thing is to ensure that the community has its own elected voice within the law making and law executing bodies of this Colony. The system of appointed members who are not bound to consider public interest and public opinion if they want to keep their seats at the next elections is basically wrong and is inducive to turning a majority of such appointed members into mere "yes men". The time has come when we must consider preserving the overall civic status of the Reform Club and foster an independent political party but then maintain a club status independent of that political party. A typical example of this is the relationship, particularly in the last century, between the Reform Club in London and the Liberal Party. The Reform Club in the background played a very large part in the developments which have resulted in a type of Parliament that Great Britain possesses today.

## REPORTS FROM CHINA

### 1956 STATE BONDS

An issue of National Economic Construction Bonds amounting to 600 million yuan will be made on January 1st, 1956. Peking declared that the bond issue would speed national economic construction and "promote" thrift and savings on the part of the people. The government will pay an interest of 4% per annum as from October 1, 1956. The bonds, in denominations of 1, 2, 5, 10, 50 and 100 yuan, are to be redeemed in ten annual instalments.

### FOREIGN TRADE

The Secretary General of China Committee for the Promotion of International Trade recently stated that the normalisation of Sino-Japanese trade depended upon the attitude of the Japanese Government on the settlement of (1) the trade agreements between the two governments, (2) the payment agreements between their state banks, (3) the exchange of commercial representatives and (4) the lifting of the embargo. He tried to camouflage China's anxiety by saying that the embargo had not prevented China's economic development. Items which China wants to buy from Japan include generators, locomotives and other strategic goods which are banned by the embargo. The People's Daily stated that China's foreign trade with Russia and other Communist countries would be further strengthened; however, China would at the same time develop trade with countries in Asia and Africa as well as with other capitalist countries. In addition to complete sets of equipment, China imports machinery and industrial raw materials including machine tools, mining machinery, cranes, vehicles, vessels, rolled steel, non-ferrous metals, cotton, rubber, tobacco, jute and wool tops. China also needs draught animals, agricultural machinery, high grade seeds, insecticides, and a considerable quantity of chemical fertiliser. There have been some imports of consumer goods such as sugar, piece-goods, paper, kerosene, medical supplies, educational material and even stationery. China's exports consisted mainly of agricultural products, and animal by-products. Since last year, China also exports cotton fabrics, knitwear, bicycles, sewing machines, vacuum flasks, beer and liquors, canned food, cigarettes, fountain pens, paper, rolled steel, glass and cement. Judging from these items of imports and exports, it is improbable that Russia and other Communist countries can fulfil all her requirements. This explains China's anxiety on the promotion of trade with Japan and the Far East.

### TRANSFORMATION OF INDUSTRY AND COMMERCE

An editorial in the People's Daily on the policy towards the socialist transformation of capitalist industry and commerce states that the profits of any capitalist enterprise are divided into four equal parts; taxes, welfare funds, reserve funds and the rest goes to the capitalists. If the whole country is taken into account, the sum which goes to the capitalists comes to several hundred million yuan annually, or several thousand million yuan in ten years and more. This sum is quite enough for the purchase of all the means of production from the national bourgeoisie. The editorial further declares that industrialists and businessmen can be masters of their own destiny by making their own future coincide with the future of the country. To peasants, handicraftsmen and other petty bourgeois, this means giving up small private ownership and accepting the socialist cooperative system. To the capitalists it means giving up capitalist ownership and exploitation of workers, and accepting socialist state ownership.

Over 600 private factories in 12 leading cities became joint state-private enterprises in the first nine months this

year. Nearly half of the private commercial firms in China have been organised into one form or another of state enterprises. In the retail trade, state retailers and those of consumers' cooperatives take up 52 per cent while 23 per cent goes to state capitalism and 25 per cent to private trade. All private traders in foodstuff, edible oil and textiles are either handling the distribution through contracts with state-owned companies or have become sales agents for the state. Private traders in meat, tobacco, wine, medicine, tea, petroleum, coal and other items important to the economic life of the country have mostly become agents for the state.

In Wushih all private cotton mills have become joint state-private enterprises. All the major private silk mills in Hangchow have also come under joint ownership. 2,500 automatic looms were added to mills under joint ownership in the Southwest. In Tientsin all private factories with more than 500 workers have become joint enterprises. In the first nine months this year, 197 private enterprises came under joint operation. The majority of smaller private factories with more than 100 workers each have also become joint enterprises. Socialist transformation of capitalist industry in Shanghai is converting all concerns engaged in the production of cotton, woollen and jute textiles tobacco, enamelware, paper, flour and rice into joint enterprises. Many smaller factories have been amalgamated with bigger ones to achieve better management and fuller use of existing equipment. Enterprises in heavy industry including machine and electrical equipment factories and chemical works have also been amalgamated since coming under joint ownership this year. The Wing On Company, China's biggest private department store, has been re-organised into a joint state-private establishment. Set up in 1918, it runs four subsidiary enterprises, including a cinema and a hotel.

### POWER INDUSTRY

Twenty new generators went into operation at state-owned power plants in the first ten months this year. Nineteen more will be added by the end of the year. The hydroelectric station at the Kwantung Reservoir will start operation before the end of the year. The first 6,000-kilowatt steam turbine generator made in China is being assembled in Huainan in East China. A new section is being added to Taiyuan's heat and power plant. The first section, consisting of three generating units, is already in operation. Power generating capacity of the second section will approximate half that of the first. Construction of a hydroelectric station along an irrigation system near Sinsiang County in Northern Honan was started early in November. In Szechwan, a new high-tension power transmission line recently started partial operation carrying electricity from Chungking to the construction site of a new hydroelectric station on the Lungki River, a tributary of the Yangtze.

### NEW PLANTS

Construction of a modern meat-packing plant in Chungking was started in November. When completed it will be able to handle thousands of pigs daily. Szechwan is one of China's leading pig-raising provinces. Last year, the province produced over 21 million head of pigs. Another automatic meat-packing plant is being constructed in Hankow. The plant will start production in 1957. The new meat-packing plant in Inner Mongolia started production last month. The plant can handle 180 head of cattle and 1,200 sheep daily. It also produces sausages and other by-products. The new sugar refinery in Kwangsi will commence production early next year. With a capacity of 1,500 tons of sugar cane daily it will treble the sugar output of the province.



## INDUSTRIAL PRODUCTS

More than 100 new grades of steel and rolled products were turned out in trial production in the first ten months of this year. Among these are special steels for motor cars and ships, silicon steel sheets for power equipment, seamless alloy steel tubes for ball bearings and oil refining equipment, heavy broad rails and giant I beams for buildings and bridges. Two hundred and forty new types of machinery were turned out by state-owned machine building plants. They include the A.62 lathe, of the highest precision and efficiency ever made in China, 600-ton mixers for the steel industry, new types of surface grinders and cranes, ventilation equipment with a capacity of 700,000 cubic metres of fresh air every hour, sugar refining equipment and 40-ton boilers. The machine building industry has turned out 10,000 sets of mining machinery this year for coal extraction, transportation and mine ventilation. Serial production of electric shovels for open cut mines, coal combines and mechanic loaders has begun this year.

Shanghai plans to raise its output of cotton yarn by 11 per cent and cotton cloth by 15.84 per cent next year. The increases are based on this year's cotton harvest. Output of knitted goods will go up by 7 to 15 per cent and there will be increases in towelling and sheeting. Output of woolen textiles, mohair plush and camel-hair will be raised by 30 to 70 per cent. New fabrics scheduled for production include ramie, mixed cotton and ramie fabrics and various woolen materials. Improvement in blast furnace operations in Anshan has trebled the output per head. In the first ten months of this year the increased output per head was 290 tons of pig iron, more than the same period last year. Under the first five-year plan, Anshan is scheduled to produce 2.5 million tons of pig iron annually by 1960. 85 per cent of this target will be reached this year.

Output of wines and spirits in China this year will treble the 1950 total and reach 680,000 tons. 84.6 per cent of the output of alcoholic beverages is made up of grain spirits ("Pai Kan"). The rest are beers, fermented rice wines and fruit wines. Over 55 kilogrammes of good quality spirits of 62 per cent alcohol can be extracted from every hundred kilogrammes of dried sweet potatoes. A 50 per cent increase in the production of Maotai has been planned for 1956.

A new type of fertiliser is being made by the Shenyang chemical works from peat and ammonium sulphate superphosphate. Crops absorb it more easily than mineral fertilisers. More than 270,000 tons of chemical fertiliser and 73,000 tons of insecticide "666" were sold to peasants from January to October this year. Compared with 1954, output of nitrate fertiliser is expected to be more than double by the end of the year. Output of sulphate fertiliser will be eight per cent and bone-dust fertiliser 25 per cent more. Supplies of "666" are expected to be raised to two and a half times the figure of last year. Output of penicillin is expected to reach over 21 million vials (each containing 300,000 units) in China this year. This is 140 times more than in 1952. Another antibiotics now in mass production is syntomycin, used for typhoid and typhus. Preparations are now being made to produce aureomycin. Mass production has started on scores of pharmaceutical chemicals and medicinal preparations. Included are, anti-malaria drugs, organic arsenic preparations, anti-leprosy drugs, ephedrine hydrochloride, organic antimony preparations, anti-tuberculosis drugs, bromides, phenacetin, rutin, extracts of liquorice and belladonna. Arrangements are being made to produce procaine, hetrazane, santonine, plasma substitute, vitamin C and barbiturates.

State-owned coal mines throughout the country produced 200,000 tons of coal above their monthly targets for October. Half of the extra output was from the Fushun Coal Mines. Some of the state-owned mines fulfilled their entire 1955 quota by October. At the Fusin Coal Mines in Northeast China two new open-cut mines have gone into operation. Work is now being carried out on two shaft and two slope mines and the reconstruction of 11 slope mines and an open-

cut mine. Capital investment this year at Fusin will reach 2.3 times the amount invested in 1952. By 1957 when part of these projects go into production, the annual output capacity of the Fusin Coal Mines will reach 8,450,000 tons. A new mine is being sunk at the Feng Feng Coal Mines in North China. When completed the annual output of Feng Feng Mines will be increased by 12.5 per cent of this year's record.

Mica deposits of rare quality have been found over an area of 100 square-kilometres in western Szechwan. Valuable iron ore deposits, sufficient to warrant the construction of iron and steel centres, have been discovered in Kansu, Chinghai and on the border of Tibet adjoining Chinghai. Some of the biggest oil shale reserves have also been found in Northwest China. Other discoveries in this area include rich lead and zinc deposits. In Central China, high-grade iron deposits have been found. In Southwest China, large areas of iron and coking coal deposits have been found in Kweichow.

## AGRICULTURAL DEVELOPMENTS

**Cooperative Farms:** The number of agricultural producers' cooperatives in China reached 1,240,000 last month. Of these 590,000 were set up after August. In Hopei 60 per cent of the total peasant families are now organised in cooperatives. In Shansi there are now 45,000 cooperative farms embracing 63 per cent of all the peasant households. By the end of this year 70% of the peasants in Heilungkiang, Liaoning and Kirin will be organised into cooperative farmers. By mid-October, Shantung had already organised 180,000 cooperative farms embracing half the area's peasant households. In Szechwan 57,000 cooperatives have been organised. Hunan has set up 35,000 cooperatives. Inner Mongolia expects to bring about 35 per cent of its peasant households into cooperatives by next spring as against 17 per cent at present. At the current rate of growth the overall target of 1.3 million cooperative farms by spring next year as ordered by Chairman Mao will be exceeded. The overwhelming majority of the new cooperative members are poor and lower middle peasants. Cadres for the controlling of agricultural cooperatives are being trained in large numbers in many parts of the country. Almost all of them are poor and lower middle peasants. In Honan 600,000 peasants will be trained in cooperative management and organisation by next spring. In Hopei 70,000 cadres are now under training. Nearly 57,000 were trained in mid-October in Shansi. Similar training is also being conducted in Fukien, Kwangtung and Hunan.

**State Farms:** 12 new state farms and 3 new state orchards will be set up in Sinkiang next year. Most of the 12 state farms will be located in agricultural and mixed agricultural and pastoral districts in the remote border areas. The state orchards will be set up in the Ili area (famous for its apples), the Urumchi and Changki areas (grapes and melons). 2 new mechanised state farms will be set up next year in Heilungkiang Province. Together with 4 existing farms, the total annual output of grain will reach 120,000 tons by 1958.

**Grain and Cotton Harvests:** China's grain harvest this year is 6% more than last year. The cotton harvest is 28% more. The total output of grain is 180 million tons, 10 million tons above 1954. The rice crop is 5 million tons more than last year. Ginned cotton is 1,350,000 tons, 300,000 tons above 1954. Kiangsi plans to increase its grain output by 350,000 tons next year. One of the most important factors which will make possible next year's goal is the wide-spread organisation of agricultural cooperatives now taking place. The cooperatives will play a leading role in adopting better farming methods. These include the extension of the acreage under rice, sweet potatoes and other high yielding crops. Many single-cropping rice fields will be transformed into double-cropping fields. Close-planting will be practised on 1.2 million hectares or half the province's paddy fields, a scale twice as big as this year. One third of the paddy fields will be sown to selected seed. A species of rice with particularly long stalks will be planted in the



marshy areas around the lakes. It is also planned to reclaim 33,000 hectares of wasteland next year in Kiangsi, where there are large tracts of unused red soil. Irrigation works will be built and new-type farm tools popularised. The number of agrotechnical stations will be doubled or increased to 400 to give more guidance to the peasants. Hainan Island plans to increase its grain output by 100,000 tons next year through improved farming methods. Some 40,000 hectares of single crop fields will be turned into double or treble-crop fields. Over 66,000 hectares will be planted with improved seeds. On two-fifths of the paddy-fields the system of few seedlings and close-square hilling will be carried out to raise the yield by 375 kilogrammes per hectare. Cotton output in Kiangsu is estimated at 30 per cent above plan. Harvesting is nearing completion. Kansu will transform a vast area of wasteland into cotton-growing fields. Experts have been experimenting to select the most suitable strains and the best methods of irrigation for the large-scale cultivation of cotton in the area.

**Sugar, Jute and Hemp:** China's sugar-cane and beet crop is expected to exceed last year's by 690,000 tons. Output of processed sugar is expected to top that of last year by 18 per cent. The best sugar-beet harvest was gathered in Inner Mongolia. In Kwangtung the sugar-cane harvest is expected to top that of last year by 450,000 tons. The per-hectare yield will reach 150,000 kilogrammes. China's output of gunny bag fibre crops this year is estimated to quadruple that of 1949. Compared with last year output is expected to go up by 90,000 tons.

**Land Reclamation:** More than 1.6 million hectares of virgin land have been reclaimed in China since 1953. Under the five-year plan the original land reclamation target was 2.5 million hectares. This has now been revised to 5 million hectares, due to the growth of cooperative farming, which makes possible better organisation of labour and the use of larger farm implements. Peking claimed that the new target would be topped by the end of 1957. Good harvests this year in two red soil districts in Kiangsi, formerly regarded as barren paved the way for large-scale reclamation of such land in other parts of China. Over 10 tons of sweet potato per hectare were reaped. There are one million hectares of such red soil in the hilly regions of this province and ten times as much in other provinces. Experiments show that wheat, rye, sweet potatoes, groundnuts, cotton, oranges, peaches, and pears are suitable for planting in red soil areas. Shansi Province plans to free more land from the menace of drought. A provincial water conservancy conference recently decided to enlarge the area of irrigated land or land where rainfall is retained from 460,000 hectares to 730,000 hectares. This will increase the province's grain output by 160,000 tons a year. Eighty-seven per cent of the rainfall in this area is lost through soil erosion. This causes floods in the lower reaches of the Yellow River and drought in the province. The present irrigation scheme which is part of the master plan to harness the Yellow River calls for the building next year of thousands of small irrigation works—canals, dams, wells, ponds, small reservoirs and others. Ploughing and field work has begun on tracts of unused land in Manass and other places in Sinkiang in preparation for the setting of 15 state farms. 6.2 million hectares of wasteland will be surveyed for reclamation in Sinkiang between this year and 1957. One of the most important crops to be grown there will be cotton. Eight tractor stations will be established next year in Heilungkiang. This province has 5.7 million hectares of uncultivated fertile arable land. The tractor stations will open up 250,000 hectares of virgin land every year. This acreage will yield 300,000 tons of grain annually.

**Irrigation System:** China will extend its irrigated farmland by two million hectares in 1956. This is twice the area brought under irrigation this year and is over one-third of the total irrigated area added since 1950. During the past six years, a total of 5.5 million hectares of farmland have been added to the country's irrigated areas. The total area irrigated in China at present amounts to over 24.6 million hectares, almost one-fourth of the land under cultivation.

The 1956 irrigation extension projects will be mostly small scale ones built by farm cooperatives. Work has begun on a second irrigation system along the main course of the Yellow River in its lower reaches.

**Water Conservancy:** A water detention basin along the Han River is now under construction. It will protect the industrial city of Wuhan and farmland in the surrounding area from flood. The whole project involving 11 million cubic metres of earth work will be completed before the high water season next year. Designs for a flood-control project in Shigatse, Tibet have been completed. Construction will start next year. The project includes the building of a drainage system in the city and a 2,000-metre dyke along the Nyangchu River. A heavy flood was caused in the Shigatse-Gyantse area in July last year when the Nyangchu burst its banks. A survey is being made of a 1,200-kilometre section of Tibet's longest river, the Tsangpo (Brahmaputra), for purposes of power generating, irrigation and navigation. The Tsangpo River has a great water power potential. It flows down from an altitude of 4,000 metres in the upper reaches to several hundred metres in the lower reaches in Tibet. The river's basin is one of Tibet's major agricultural area. A plan to free the Lhasa area from flood menace includes the strengthening of an existing 7,400-metre dyke, the building of a new 860-metre dyke and the dredging of 400 metres of the Lhasa River, a tributary of the Tsangpo River. Work will begin next year. The Nanwan Reservoir, second largest in the Huai River Basin, was completed early in November. Situated on the Shihho, a tributary on the upper reaches of the Huai River, it is capable of holding back 910 million cubic metres of torrential flow in the rainy season. Major items in the project include a 743-metre-long dam with a height of 34 metres, a tunnel and a spillway. The reservoir will not only reduce the water crests on the Huai River during the season of heavy rainfall but will protect 20,000 hectares of farmland in the Shihho River Basin and a section of the Peking-Hankow Railway near Sinyang from flood. The water in the reservoir is able to turn out more than nine million kilowatt-hours of electric power a year. This reservoir is the 6th so far completed in the Huai River Basin. These six reservoirs, together with the completed water detention basins, will protect more than 460,000 hectares of farmland from possible inundation by heavy rainfall such as that registered in 1950 in the upper reaches of the Huai River Basin. It will also irrigate more than 130,000 hectares of farmland during a dry year.

## EDUCATION AND TRAINING

3,800 skilled workers have been trained for work in coal mines by the six trade schools under the Ministry of Coal Industry since 1953. An additional six schools will be opened at major coal-mining centres in the coming two years. They will offer one year to 18-month courses in the operation of coal-mining machinery, installation and repair work. Other methods to train more skilled workers for the collieries include short-term training classes, lasting from six to 12 months, and the apprenticeship system. 40,000 skilled workers were trained in this way in the past three years. The short-term classes provide training in the simpler techniques of blasting, propping and drilling. A four-month advanced course in crop cultivation was recently introduced in Peking-Agricultural University. This course, the first of its kind in China, is intended to raise the level of the teachers of agricultural institutes. The 320 students enrolled will make a systematic study of the advanced theory and technique of Soviet agricultural science. The Ministry of Higher Education will train large numbers of students in agriculture, forestry and animal husbandry in the next few years to meet the increasing demand. An institute of mechanised farming and another of forestry have been set up in Peking. The Northeast Forestry Institute has also built new premises and many agricultural institutes in different parts of the country have been expanded. At present there are more than 21,000 students in the country's agricultural and forestry institutes. This is nearly treble the



number of such students in preliberation days. Five other institutes have set up departments in these fields. During the past few years more than 18,000 students have completed courses in the agricultural and forestry institutes. Over 1,700 technicians have been trained for China's growing petroleum industry in schools under the Ministry of the Petroleum Industry since 1953. Schools under the Ministry of the Coal Industry have trained almost 6,400 technicians in the same period. The first petroleum school in China was set up in 1950 and 281 oil technicians completed their courses two years later. There are now 6 such schools with a combined enrolment of 5,700. More schools are planned for the next few years. The petroleum schools offer 21 different courses. They train students in the fields of natural oil prospecting, drilling and refining and the processing of synthetic oil. More courses will be offered next year.

Academia Sinica is selecting the first group of young scientists who, four years from now, will take the degree of Associate Doctor of Science. By 1957, research workers in the various institutions of the Academia Sinica will be four times as many as in 1952. The rapid growth of national construction and scientific studies demand an ever increasing number of young research workers not only in the intermediate grades but at the highest scientific level. Conditions of enrolment for advanced research students are strict and standards of training high. They will receive their academic degree after successfully defending their doctorate theses at an oral examination before the academic committees of their respective research institutes. While engaged in research and preparation of their theses, their living expenses and all other necessary expenses are met. Those who worked in government organizations before enrolment continue to draw their wages. They have access to all available research facilities and take part in the scientific and other activities of the research institutes to which they are attached.

#### COMMUNICATIONS

China and Burma signed an air transport agreement last month. In accordance with the provisions of the agreement, air services will be operated by the Civil Aviation Administration of China on the route Kunming-Mandalay-Rangoon and vice versa and by the Union of Burma Airways on the route Rangoon-Mandalay-Kunming-Canton and vice versa. Two new highways were recently completed in Kwangsi. Two more highways will be opened to traffic before the end of the year. Totalling 310 kilometres, the four highways lie in areas where timber, tung oil, tea-seed oil, bamboo, cinnamon and other products were abundant.

The 150-kilometre highway between Gyantse and Phari (a trading centre on the Himalayan Mountains) was completed last month. The Gyantse-Phari Highway links the remote Himalayan Mountain districts with Lhasa and other parts of the country and provides facilities for the growth of trade with India. The 500-kilometre Chengtu-Ahpa highway was recently completed. Ahpa is the biggest trading centre in Tibet. Construction began in March 1951. The highway climbs steadily from the plain up to highlands 3,000 metres above sea-level. It crosses precipices, dense forests and snow-clad mountains. 8 highways totalling more than 1,000 kilo-metres have been constructed or renovated this year in Kansu. One of the new highways links Lanchow with Liukia Gorge, where large multiple-purpose water conservancy project will be built. Another joins the provincial capital with important coal-fields. The renovation of a 426-kilometre section of a main communication route in the area bordering on Kansu, Chinghai and Sinkiang greatly facilitates carrying supplies to the Tsaidam Basin where large scale oil prospecting is under way. A new 50-kilometre forest railway was recently opened to traffic in Inner Mongolia. The railway runs across rugged mountains and swamps from Kenho to Tuliho in the Great Khingan Mountains, which is a major lumber area in the country. The line is an extension of a branch line of the Harbin-Manchouli Railway. Double tracking has just been started along a 124-kilometre section of the railway line between Shenyang and Dairen. The section is part of Northeast China's 900-kilometre trunk line from Changchun to Dairen. It is the last section of this line to be double tracked. Work has begun to double-track sections of the railway from Peking to Hankow. Foundations for new bridges to be added are being laid. Other trunk railway lines and sections that carry heavy loads will be double-tracked during the period of the first five-year plan. Of these the line between Peking and Shenyang has already been double-tracked. Preparations are being made to double-track sections of the Shihkiachwang-Taiyuan Railway, the Lunghai Railway that runs from the eastern seaboard to Lanchow and the railway from Peking to Paotow. Work has begun on a new trunk railway between Northeast and North China. The section now being built starts from the Northeast China terminus, a small station near Chengteh, capital of Jehol Province. This 72-kilometre section will be completed next year. The line will then be extended across the Great Wall to meet a section already in existence and go straight down to Peking. The first Chinese-made coastal passenger and cargo ship made its maiden voyage from Shanghai to other coastal ports last month. The ship, "Min Chu (Democracy) No. 10," has a displacement of 2,672 tons, and carries 572 passengers. It was built by the Kiangnan shipyards.

## PRIVATE ENTERPRISE IN CHINA

Peking is tightening the control not only of farmers but also of private businessmen and industrialists. Recently, over 200 representatives of businessmen and manufacturers were called to Peking by the Central Committee of the Chinese Communist Party and told that capitalists in China should go further in socialist transformation and make additional contributions to the "great cause" of constructing the country. Advances in the organizing of private enterprises into various forms of state capitalism during the past two years were considerable. In the first half of this year, over 90% of the output of major private industries were sold to the state. In many cases, private enterprises of a whole trade became joint state-private firms. In Shanghai there were eight such cases, including the re-organization of all textile mills.

In a little over 5 years, private enterprise in China dropped from the leading role in the construction of national economy to the bottom of the cast. In July, 1949 Mao Tse-tung declared, "To meet imperialist pressure and to rise from her low economic position, China must utilize all elements of urban and rural capitalism that are beneficial and not harmful to the national economy and the people's livelihood, and unite with the national bourgeoisie in the common struggle." At the very beginning, Government confiscated only those concerns which had belonged to Kuomintang government or the properties of bureaucratic capitalists. Foremost among these were the enterprises which belonged to Chiang Kai-shek, T. V. Soong, H. H. Kung and the Chen brothers. Their holdings included the biggest banks, industries, mines and commercial houses. Capitalists who were



not closely connected with the Kuomintang were the people which Mao Tse-tung had referred to as national bourgeoisie. Peking did not touch their property; instead helped them to expand their enterprises. The activities of these private industries increased the supply of industrial products, helped the state to accumulate funds for socialist industrialization through taxes and savings, provided employment and trained skilled workers and managers for the state.

Industries in which private enterprises continue to exist and flourish included metals and machinery, chemicals and pharmaceuticals, building materials, rubber, paper, cotton textiles, dyeing and printing, processed foods, clothing and many others. Taxes on private industry are collected according to following classifications: The Commodity Circulation Tax levied since January 1, 1953 is already applied to 56 commodities and will be extended to more. It is paid when the goods leave the factory after which they are not subject to commodity tax and business tax. Commodities subject to this tax include cigarettes, wines, flour, cotton yarn, matches, printing paper, cement, plain glass, and steel products. The rate ranges from 5% to 22% ad valorem. 176 items under 36 categories are subject to Commodity Tax which is collected when the goods leave the factory and an additional business tax is charged when they are re-sold. Cosmetics, soft drinks, sugar, tea, marine products, woollens, silk, linen, electrical goods, metals, dyes and pigments, vegetable oils, grain et cetera are subject to this tax.

Industrial and commercial taxes vary with the class of business and the income of the paying concern. The Business Tax is levied on enterprises dealing in commodities which are not subject to either the Commodity Tax or the Circulation Tax. 38 main branches of industry are now in this category. It runs from 1 to 3.5% of the turnover of the enterprise concerned. Compulsory for all profit-making enterprises is the Income Tax progressive from 5 to 30% of net income. However, tax rebates of from 10 to 40% are granted to machine-building, mining, metallurgical, chemical, rubber and medical industries. There is also a Stamp Tax on some types of commercial documents and a 5% on income from deposits and securities.

Under the law, capitalist enterprises are entitled to a reasonable profit but the government has not yet fixed a unified rate for profit. However, as private manufacturers have been only able to get orders from the state, the profit

is under the strict control of the state. The prices paid allow for an annual profit of about 10 to 30% of the capital outlay. Profits are distributed into four parts. One part goes for income tax to the state, another into a reserve fund, a third for welfare funds and bonuses for workers and employees, and a fourth for dividends to the capitalists. Capitalists are absolutely free to use their share of the profits in any way they please. However, a "progressive" capitalist usually re-invests his profit or subscribes for the state bonds. Recently Peking announced that an issue of National Economic Construction Bonds amounting to 600 million yuan will be made on January 1, 1956. This serves to remind capitalists of how they should use their 1955 profits.

In actual practice, labour representatives in private factories run the whole show leaving the capitalists to worry about getting contracts from the state and money to pay the workers. Private enterprise is now in such a helpless position that if the state wishes to re-organize a factory into joint ownership, no purchase order will be given to this factory so that before long there will be no money left to pay the workers. The owner cannot close down his factory without government permission which is seldom given. The only alternative for the owner is to apply for re-organization. The Government then grants loans and "helps" this factory to transform into joint-ownership.

In a way, the socialist transformation of private industry and commerce is a much simpler job for Peking than the collectivization of agriculture in China. Nevertheless, according to Peking, the attitude of the capitalists had not been uniform. There were "progressive" capitalists who accepted socialist transformation and made practical contributions. There were also a considerable number of manufacturers and businessmen who hoped that capitalism could exist side by side with socialism. There were also many capitalists who resisted transformation by negative activities such as not managing enterprises in a business-like way and even withdrawing their investment. The Central Committee of the Communist Party now warns this last type that if they do not correct their attitude they will be "educated" because they have a "detrimental influence" on socialist transformation. "The counter-revolutionary elements will be punished severely!" Harangued Peking, "Industrialists and businessmen must love their country, obey the law, accept transformation in accordance with government plans."

## FINANCIAL POSITION OF TAIWAN

During the Chinese Fiscal Year 43 (July 1, 1954 to June 30, 1955), China's financial administration was guided by the five main targets of the Government's financial program, viz: (1) to balance the National Budget through unified control over the financial administration of all government levels and coordination of the Government's own revenue with US aid, (2) to strengthen the control over budgetary and public treasury management, (3) to improve the taxation system, (4) to continue and improve the control over note-issue and foreign exchange, and (5) to foster greater confidence in Government credit. Those policy targets were more or less continuation of the Government's financial program for the previous years, but implemented during the year under review.

As the chief agency responsible for financial administration, the Ministry of Finance planned its work in conformity with these policy directives. In order to balance the national budget, efforts were made to increase the revenues,

to exercise strict control over expenditures, to make full use of all financial resources for the most urgent requirements of all levels of government and to coordinate US Aid with the national economy. To strengthen budget and treasury control, the treasury system was expanded, budget allocations were adhered to, and supervision of various enterprises was invigorated. To improve the taxation system, the Customs import tariff and some tax laws and regulations were revised, salt exports were pushed up, while food prices were stabilized. In banking and business matters, the amount of note-issue was limited to commercial and industrial needs, business enterprises were constantly investigated to prevent speculation and productive enterprises were given priority in granting bank loans. In the field of foreign exchange, control and allocations were guided by the needs of the national economy and more rational and effective exchange rates were established through taxation and other indirect means rather than by sudden arbitrary changes in the official rates. The gov-



ernment credit was enhanced by continuous liquidation of Government debts and prompt repayments on the 38th Year Patriotic Bonds.

The extent to which the Ministry of Finance succeeded in carrying out these assigned duties can be evaluated from factual accomplishments as summarized seriatim hereunder:

A. Treasury Administration: One of the fundamental financial policies of the Chinese Government is the balancing of the national budget. For the fiscal year 43 (1954-1955), the total expenditures increased by about 15%, as compared with the budget for the previous year, leaving a deficit of about 5%. At the end of the fiscal year 43 (i.e. June 30, 1955), the total revenue increased considerably and on the other hand expenditures were trimmed, leaving a cash deficit of about 1.1%, much less than the original budgeted deficit. However there are a few items due and yet unpaid, but they could be set off partially by cash receivable. Hence the actual cash deficit for the whole fiscal year 43 would be around 4%.

Ever since 1950, there has been marked progress in the balancing of the national budget. The budgetary deficit has been progressively reduced, starting with 24% for CFY-39, 10.8% for CFY-40, and 3.6% for CFY-41. For the fiscal year 42 (i.e. ending June 30, 1954), contrary to the previous years, there was even a surplus of about 3% of the total expenditures. For the fiscal year 43, as stated in the preceding paragraph, the actual cash deficit at the end of last June was only 1.1%, although in the final accounting, the actual deficit might reach 4 per cent.

B. Improvement of taxation system: Due to improvements in collection technics, both central and local tax revenues increased appreciably during the fiscal year under review. The total taxes received (including Customs revenue, salt tax and other national and local taxes) and receipts from monopoly profits amounted to NT\$4,216 million, which was 5% more than the original budget estimate. It was largely due to this increase, especially in monopoly profits and income taxes, that the increased government expenditure during the year was practically covered without widening the deficit.

The following table shows a breakdown of the various kinds of revenue actually collected during the fiscal year under review:

| Kind of Taxes  | Amount<br>(millions) |
|--|----------------------|
| (1) monopoly sales of tobacco and wine                         | NT\$ 750             |
| (2) customs revenue  | 603                  |
| (3) commodity tax  | 410                  |
| (4) domestic defense tax                                       | 360                  |
| (5) defense tax on sale of foreign exchange                    | 356                  |
| (6) income tax   | 322                  |
| (7) land tax (mostly payable in kind)                          | 229                  |
| (8) slaughter tax  | 208                  |
| (9) household tax  | 184                  |
| (10) stamp tax   | 165                  |
| (11) business tax  | 100                  |
| (12) salt revenue  | 80                   |
| (13) property tax  | 80                   |
| (14) harbour dues  | 80                   |
| (15) others (relatively smaller amount and hence not itemised) | 289                  |
| <b>Total</b>   | <b>NT\$4,216</b>     |

C. Banking Control: The Chinese Government has exercised control over banking by (1) regulating the note issue, (2) steady reduction of interest rate, and (3) giving appropriate assistance to productive enterprises. Although there has been a steady increase in the note-issue, the rate of increase has however become progressively smaller by percentage from year to year. In December 1950, the amount of note-issue increased by 51%, as compared with December of 1949. But at the end of June 1955, the rate of increase was only 6%, as compared with December of

1954. By regulating the note-issue, the inflation has been checked with the resultant stability in the price level. The following table shows the price index at the end of December of the past five years, as compared with the same month of the previous year:

| Price Index for Past Six Years |  |
|--------------------------------|--|
| Year                           | Increase in percentage<br>over the previous year |
| 1950 (December)                | 89.0%  |
| 1951 "                         | 52.0%  |
| 1952 "                         | 3.4%   |
| 1953 "                         | 16.0%  |
| 1954 "                         | -2.4%  |
| 1955 (June)                    | 9.4%   |

Although according to the above table, the price index for the period ending June 30, 1955 was upward by 9.4% the upsurge occurred mostly in the first quarter of the year (seasonal trend following the lunar new year). However, the prices have since become more stabilized and it is believed the long trend will not be seriously affected by the special causes prevailing earlier in the year.

Along with the control over note-issue and the stabilization of the price level, the interest rates have been progressively reduced which is conducive to the development of productive enterprises. Compared with December 1950, the interest rates for loans by Bank of Taiwan and commercial banks had been halved. The current interest rate for preferential deposits with Bank of Taiwan and the open market interest rate have now been reduced by two-thirds as compared with December 1950. In spite of the progressive decrease in interest rates on deposits, the bank deposits have increased steadily from NT\$1,996,000,000 in June 1952 to NT\$4,249,000,000 at the end of June 1955.

D. Foreign Exchange Control: Out of necessity, the operation of foreign exchange in China has to be controlled in order to balance the international payments and to stabilize internal economy. In this connection, due recognition must be given to the perfect coordination between Chinese government agencies and the America Aid which has played a very important role in stabilizing the economy of Taiwan. Besides the military aids, the total value of American economic aids to the Republic of China for the past five years commencing from 1950 was approximately US\$526,000,000. Although only a very small part of this total was utilized as a direct aid toward balancing of the national budget, it has contributed in a very large measure to the economic reconstruction, the stabilization of price level and in helping to reduce the outlay of the Government's own foreign exchange resources. In a nutshell, the US Aid has been most helpful, both directly and indirectly, in helping to balance the budget.

The Chinese Government, however, has been not unaware that the ultimate goal of foreign assistance was the building-up of a self-dependent economy. All economic planning therefore converged on the main target of balancing international payments through industrialization and expansion of production and exports. The control of foreign exchange was strengthened during the year by the following measures: (1) centralization of control, (2) curtailment of non-essential imports, (3) promotion of exports and (4) implementation of other subsidiary measures such as the prohibition of import of Taiwan currency. The result has been gratifying: for the first year of 1955, exports increased by 6% while imports were reduced by 25% as compared with the corresponding period of last year. As the fiscal year 43 closed on 30th of last June, the prospect of a substantially enlarged exchange reserve was already visible.

E. Fostering Government Credit: In order to instil public confidence in Government credit, repayments on the 38th year Patriotic Bonds were up to schedule and, inspite



## CIVIL AIR TRANSPORT

The ninth anniversary of Civil Air Transport (CAT) has just been celebrated. Not a single passenger has been even slightly injured on any of CAT scheduled operations during these nine years. This safety record has been acknowledged by a special citation from the Ministry of Communications of China, under whose jurisdiction CAT flies. Exclusive of the special contract flights (such as the nine months of supplying beleaguered Taiyuan with as many thirty flights a day from Shanghai and Tsingtao, the manning of C-119 Flying Boxcars on airdrop missions over Dien Bien Phu, the evacuation of Nationalist troops from Northern Burma to Taiwan) CAT has flown 38 million miles, carried 800,000 passengers, and flown 316 million passenger miles and 134 million ton miles during its nine eventful years.

The original Flying Tiger, General Claire L. Chennault, was awarded a commercial air carrier certificate by the Government of China on October 25, 1946, primarily to expedite the distribution of United Nations Relief and Rehabilitation Administration supplies on China through its counterpart, the Chinese National Relief and Rehabilitation Administration. Appropriately, the company was first named CNRRA Air Transport. The inaugural flight was made from Shanghai to Canton with a C-47 carrying relief supplies and a jeep. In its first eight months, CAT flew 2,921,213 ton miles of relief cargo; no luxury items were permitted. During these first few years, without benefit of any international routes, it was one of the world's leading cargo carriers; in fact, it was not until September 1948 that Slick Airways surpassed CAT in the number one spot, the former totalling 19,945,000 cargo ton miles for the first nine months of that year, followed by CAT with 16,686,288, and American Airlines with 14,593,000 cargo ton miles. Records set during this period included flying 29,108 ton miles out of Tsingtao on December 22, 1947, and flying 3,571,872 ton miles during the month of June 1948.

Originally, CAT was not expected to carry passengers other than those affiliated with CNRRA, and it was not until October 1947, when more than 200 orphans and a group of Catholic Sisters were evacuated from Communist-threatened Shihchiachuang, that other passenger traffic was accepted. Even then, it was more as an emergency and a convenience to people living in the remote parts of China than as a part of planned business.

With the approaching termination of both UNRRA and CNRRA, on January 1, 1948 the name of the airline was changed to Civil Air Transport. Operations were conducted throughout China and both cargo and passenger traffic were solicited as a part of regular business. Civil Air Transport was one of three Chinese airlines operating on the mainland prior to the Communist conquest. With the November 1949 defection to the Communists by the China National Aviation

Corporation and the Central Air Transport Corporation, both defunct, CAT became Free China's only flag carrier on international air routes, at the same time providing domestic service for Taiwan and the Penghu Islands.

of the financial limitations of the national treasury, due to the loss of the mainland, studies of measures to liquidate outstanding debts, both domestic and foreign, have been pursued with a view to restore international confidence.

China's finance is belaboured by the double burden of maintaining a stable peace-time economy and catering to the more urgent needs for war-preparedness. The job of her financial administrators is how to meet the heavy military requirements by means of available resources without hamstringing the constructive, educational, public health and other civilian requirements of the Government.

At present, 32 aircraft are operated over 6,762 unduplicated international route miles in the Far East, and 244 unduplicated domestic route miles on Taiwan and the Penghu Islands. With Taipei as the focal point, scheduled international flights are made to airports under seven governments.—China, Hongkong, Japan, Korea, Okinawa, Philippines and Thailand. Four times weekly DC-4 service to and from Tokyo, three flights to and from Seoul and Hongkong, two flights to and from Okinawa, and once to and from Manila, plus three weekly C-46 passenger flights to and from Iwakuni, Japan, and Okinawa, comprise the international schedules; daily domestic flights connect Taipei with Taichung, Tainan and Makung.

In addition to the regularly scheduled flights, CAT's charter business extends to all points of the globe, of course with emphasis on the Far East. Africa, Europe, New Zealand and Australia frequently have seen CAT planes on some charter mission. Through interline agreements with 28 airlines, and as a participant in the Universal Air Travel Plan, holders of Air Travel Cards may purchase tickets on credit at any CAT Booking Office to any major city in the world.

CAT is proud of its reputation of "flying anything anywhere." Soon after its inception its planes carried 625 thoroughbred Corriedale sheep from New Zealand to Lanchow, Kansu Province. Today, CAT planes are carrying several loads of live fish weekly from Hongkong to Taiwan, monkeys from Taiwan to Japan, and Taiwan bananas to Okinawa.

\* \* \* \*

One of the reasons for CAT's safety record is that General Chennault always insisted on having only the most experienced flight personnel. Another, equally important, is one of the world's finest maintenance and repair organizations, of approximately 1,600 employees at Tainan and Kaohsiung, built up by Hugh L. Grundy since joining CAT as the Chief Engineer in January 1950, subsequently becoming Vice-President for Technical Services, an office he still holds with that of President.

Complementing the Tainan base, twenty-six miles south at Kaohsiung, CAT has a completely equipped repair shop aboard a refitted seagoing LST, the Chung 118, purchased in 1949; accompanying the LST is a large supply barge, the Buddha, which serves as a warehouse. More than 50,000 different kinds of spare parts are stocked in substantial quantities at all times. Engines of the LST are run-up weekly and both vessels, manned by regular marine crews, are kept seaworthy. The machine shops are powered regularly by the Kaohsiung District Office of the Taiwan Power Company, with alternate power available from generators aboard the LST that are separate from the 900 horsepower Diesels that operate the craft at sea. The shops are equipped to do anything from the most sensitive instrument calibrating to metalsmithing and parachute rigging.

On July 15, 1954, the United States Civil Aeronautics Administration designated CAT facilities at Tainan and Kaohsiung as an approved Repair Station under Air Agency Certificate Number 122-F, whereby United States registered



aircraft operating in the Far East could be serviced in accordance with the terms of the Certificate, which included ratings for: Class IV Air Frame, Class II Propeller, Class I, II and III Radio, Class I, II, III and IV Instrument and Class I, II and III Accessory. CAT was the only organization in the Far East to hold such a Certificate with such extensive ratings at that time.

In addition to the civil aircraft repair designation, the high standard of these facilities was further recognized when CAT was granted contracts to overhaul and IRAN (Inspect and Repair As Necessary) planes of the U.S. Far East Air Force and U.S. Marine Corps. CAT was the first company outside the continental United States to be awarded a contract to overhaul military type aircraft, and, with Sabena of Belgium, later was awarded contracts to overhaul and IRAN C-119s, Flying Boxcars. Other types of planes serviced for the military include C-46s, C-47s and C-54s.

\* \* \*

CAT has 2,588 employees of whom 2,212 are Chinese. The remaining 376 comprise a "little United Nations" being 127 Americans plus those from nineteen other nations including Australia, Belgium, Borneo, Britain, Canada, Costa Rica, Denmark, Germany, India, Indonesia, Italy, Japan, Korea, Okinawa, the Philippines, Poland, Portugal, Thailand and Vietnam. Of the total, more than thirty percent have served with CAT for more than five years, which is extremely significant in view of the fact that CAT's headquarters moved from Shanghai to Canton and to Hongkong before reaching Taiwan in 1950. During this period, operating

bases moved even more frequently, nevertheless, a substantial portion of the employees moved with CAT as the exigencies of war dictated. The average service with CAT of the 23 Captains is slightly more than five and a half years; half of them have been with the company more than seven years.

In effect, the second chapter of CAT's life has been devoted to building an international scheduled airline with emphasis on passenger traffic, whereas the first part was spent almost entirely on charter cargo flights. During this latter period the airline has linked the Republic of China with the rest of the free world. Agreements have been culminated for air rights with the major governments of the Far East.

Emphasis has been on personalized service to the customer and CAT still is a small enough organization to see that its service to the individual is unsurpassed, as is borne out by the hundreds of letters received commending the outstanding work of the ground and air crews. Schedules have been rigidly maintained in this, one of the most difficult flying areas in the world. Recently CAT planes celebrated the twelfth consecutive month of on-time departures totalling 392, from Hongkong's Kai Tak airport.

It is a far cry from the "good old days" at Weishien, Kunming, Shanghai, Mukden and Canton, but CAT has proved itself as adaptable along the international routes as it did on the China mainland. Every year has seen new scheduled routes added to the system. Now, looking forward, even more are anticipated during the coming months that will bring CAT to its tenth birthday.

## JAPAN'S WOOL INDUSTRY

Before the Second World War, Japan was the sixth largest wool goods producer in the world, following the Soviet Union, France, Germany, the United States and Britain in the order named. From 1934 to 1938, her yearly production averaged 82.5 million lbs. a year for worsted yarn and 49.5 million lbs. for woollen yarn, or a combined total of 132 lbs., and 267 million sq. yds. for wool fabrics.

During the war years, not only was the industry scaled down drastically with the introduction of the wartime totalitarian economic system but also it suffered serious damages from U.S. air raids and fires. When the war ended in 1945, equipment remaining intact represented only 24% of the prewar peak in 1939 for worsted spindles (in terms of mules), 57% for woollen spindles, and 33% for wool looms.

In the early postwar years, reconstruction efforts were pushed in compliance with the industry-by-industry rehabilitation programme mapped out by the Economic Stabilization Board, predecessor of the present Economic Counsel Board, but little progress was attained due to the difficulties of securing raw wool imports and other adverse circumstances. It was not until 1950, when a trade agreement was signed with the Sterling Area, that wool imports began to increase tangibly, thereby bringing to the right track the desired restoration of the wool trade.

Then, the boom following the outbreak of the Korean war turned out to be a windfall for the industry. Big procurement orders, requiring 30,000 bales of wool, came from the U.S. Forces, and, moreover, a buying spree occurred for wool goods. Toward the end of 1953 the productive capacity of the spinning and weaving branches of the industry was recovered well over the prewar peak, and

Japan has come to rank again among the biggest wool goods producers in the world.

### 1. PRODUCTION

**Woollen and Worsted Yarns:** Soon after the war was over, the production of wool goods was negligibly small owing to the devastation of wool mills and the scarcity of wool. In 1946, for instance, worsted yarn output was not more than 6,998,000 lbs., or only 7% of the prewar record. The figure further fell off to 6,144,000 lbs. in 1947 and further down to 4,372,000 lbs., or 4% of the prewar high, in 1948. In the latter year, wool stocks shrank to the lowest level.

As for woollen yarn, output in the early postwar years did not fall so sharply as in the case of worsted yarn production. For this the following factors are mainly responsible: 1) Located in the countryside, many woollen mills could manage to avoid war damages; 2) in the war years, as priority was given to the manufacture of woollens for military uniforms, woollen mills were not subjected to such rigid restrictions as many other textile factories, and 3) wool stocks were far bigger for woollens than for worsteds. For all this, the output of woollen yarn in 1946 was not more than 21,188,000 lbs., or 23% of the prewar peak. In 1947, though a slight gain was recorded, the annual total accounted for only 34% of the prewar high.

With the smooth importation of wool since 1949, production showed a steady upward curve. In 1951, woollen yarn output reached 64,001,000 lbs., breaking the prewar record, and jumped to 94,491,000 lbs. in 1953. In the same year, worsted yarn production increased to 88,212,000 lbs., closely approaching the highest mark before the war.



Since the turn of 1954, however, a temporary recession has set in also for the wool industry due mainly to the deflationist policy pursued by the Government for improvement of the international payments position and for construction of a so-called "autonomous" economy. But production continued to be active as a whole. In the first six months, output added up to 46,695,000 lbs. or up 17% from the like period a year ago, for worsted yarn. For woollen yarn, turnout in the same year was 41,326,000 lbs. Though the figure was off 8% from a year ago, it was still above the prewar record.

It deserves special mention that the wool spinning industry has come to consume an increasing amount of rayon staple and synthetic fibres at the worsted and woollen mills. In this way, the production of so-called "worsted spun rayon" reached 7,928,000 lbs. in the first half of 1954, or 13 times that in the similar period of 1953, while the output of "worsted" type synthetic fibre yarn in the same term was 717,000 lbs., or 290,000 lbs. more than the yearly total of 1953. One cannot fail to note a similar trend in the production of "woollen" type rayon and synthetic fibre yarns.

**Woollen and Worsted Fabrics:** The weaving section of the wool industry has also achieved a remarkable recovery since the war's end. The output of wool cloths in 1953 jumped to 157,760,000 sq. yds. as compared with 5,784,000 sq. yds. for 1945. But the figure was yet one half of the prewar record of 322,539,000 registered in 1935.

Noteworthy changes have taken place percentage-wise in the production of woollens and worsteds. In the first place, whereas wool muslins, serges, etc. for Japanese style clothes (kimono) were by far the biggest items among the home-produced wool fabrics prior to the war, production is now concentrated on fabrics for European style clothes (suitings, coatings, etc.). Before and during the war, fabrics for military uniforms comprised a big chunk of the prewar woollen fabric output, while at present all the woollen cloth weavers are catering for civilian demand. In other words, they now have to serve a wide variety of consumers. This situation is at least partly responsible for the remarkable improvement in the colours and designs of their products when compared with their prewar products.

## 2. EQUIPMENT AND CAPACITY

**Spindles:** Wool spinning facilities have been restored rapidly in less than a decade from the state of sheer devastation caused by the wartime adjustment and the war itself. Thanks to the all-out efforts of the industry as a whole, however, equipment by the end of 1953 exceeded the prewar summit by 23% for worsted spinning and by 74% for woollen spinning. It would be interesting to note here that the rate of postwar reconstruction at the same date was far lower for the equipment of all the other textile industries: i.e. 60.9% of the prewar record for cotton spindleage, 43.8% for rayon manufacturing capacity, 85% for rayon staple spindleage, and 14.9% for silk reeling machinery. These figures eloquently speak of the rapid speed with which the wool spinning industry has been rehabilitated in the postwar years.

It is also of great interest that the recovery of woollen spindleage has been much more remarkable than that of worsted spindleage, and that the wool spinning industry as a whole has undergone a structural change from the prewar pattern.

In a short period of four years, or from 1945 to 1948, the woollen yarn sector was restored well over the prewar mark. At the end of 1948, for instance, 767 carding machines were installed compared with the prewar record of

733 units, and the number further increased to 1,162, or 60% over the prewar peak, by the end of 1951. After that, new installations were checked while on the other hand efforts were exerted for the expansion of worsted spindleage, but the number of carding machines continued to rise until it reached 1,268 by the end of 1953. Most responsible for all this are the following factors: 1) smaller amounts of capital investment were required for the recovery of woollen than of worsted spindles, 2) production efforts were directed toward the woollen yarn sector through the maximum use of shoddy, noils, etc. available at home, as it was difficult to secure raw wool due to restrictions on imports, and 3) local demand for woollen goods was considerably active because clothing shortage assumed serious proportions in the early postwar years.

Such rapid installation of woollen spindleage naturally has ushered in a change in the setup of the wool manufacturing industry. Before World War II, the worsted yarn sector occupied such overwhelming importance that the woollen branch got a very small position, particularly compared with other wool manufacturing countries. During 1934-36, for instance, worsted equipment accounted for approximately 86% of the total wool spinning capacity, leaving only 20% for woollen spindleage. The corresponding weight of woollen spindles in other countries was much larger: namely 38% in Britain, 23.1% in France, 46.1% in Belgium, and 40.5% in the United States. In 1953, however, Japan's percentage rose to 30.2%, gradually approaching the international standard.

In striking contrast, the reconstruction of worsted spindleage was a very tardy one. At the end of 1948, when woollen equipment exceeded the prewar high, there were installed only 584,000 worsted spindles (on Mule basis), or 35% of the prewar peak. The proportion went up to about 60% by the end of 1952 but remained at 65% at the end of 1952.

In the course of 1953, however, a complete change occurred as nearly 1,000,000 worsted spindles were newly installed. The total capacity jumped to 2,016,000 spindles, or 23% larger than the prewar record.

Such frantic expansion of the worsted yarn sector is ascribed, for the most part, to two factors: namely, consumer buying showed a spurt for wool goods as the purchasing power of the public grew substantially with the improved living standards of the Japanese people; and wool import funds came to be allocated to spinners in accordance with the size of equipment and export performance. Naturally wool spinners tried hard to boost their mill equipment to get bigger allocations. But this expansion rivalry was arrested in November, 1953, when the Ministry of International Trade and Industry decided not to allocate import funds on new spindles to be installed thereafter.

At any rate, worsted spinners increased to 101 firms, or three times the prewar record. Moreover, their mills underwent a noticeable change from the prewar pattern. Prior to the war, because emphasis was placed on wool muslins, serges, etc. for kimono as already mentioned, mules for high-count yarns accounted for 51% of the total capacity at the time when the worsted yarn sector was at its summit. As of November 20, 1953 (when the official registration of spindles for import fund allocation was suspended), the percentage of mules dropped to only 11%, while, on the other hand, ring spindles comprised 80%, or about twice the prewar level of 42%.

This increase of ring spindles resulted not only from the above-mentioned transition from high-count yarns for kimono to low-count yarns for suitings and coatings but also from the remarkably increased performance of ring spinning frames. Ring spinning frames have technically improved,



especially in draft, so that they are fast replacing mule spinning machines in most mills. Whereas the draft of ring frames has so far been 7-10 times in most cases, it is now 10-15 times and even over 30 times in some cases. Such high-draft ring frames can well spin very fine yarns, over 60 counts, and far more efficiently than the mule spinning frames.

Further, the increasing introduction of high-draft ring frames has greatly contributed to the rationalization of the wool industry as a whole. Other machines and appliances, too, have been improved markedly in the past few years.

**Looms:** As of August 31, 1953, there were in place 21,010 power looms, or nearly 10,000 units less than 31,220 registered in 1936. If account is taken of the fact that the 1936 figure included 996 hand looms, it can be said that the wool weaving industry had been restored to the prewar level by 1953.

Furthermore, local textile machinery makers have succeeded in improving their technique to such an extent that automatic wool looms have been manufactured increasingly in the past few years. Thus, obsolete looms have been replaced by new efficient ones, thereby expediting the rationalization of the weaving sector.

Mention must be made in this respect of the ten-year rationalization programme mapped out by the Japan Wool Manufacturers' Association in 1953. A decade hence, under this plan, the existing 20,000 looms are to be replaced by home-made automatic equipment. If and when this plan is carried out as scheduled, the cost of production would be off about 40%, a great contribution to the desired promotion of wool goods exports. Naturally, the question whether this ambitious scheme will proceed smoothly, is watched with keen interest.

### 3. INTERNATIONAL TRADE

**Wool Goods Exports:** Since the Pacific War was over, wool goods exports have been on the steady increase. In 1948, overseas sales totalled not more than \$8,178,000, but the figure almost trebled to \$23,695,000 in 1953. In 1954, the cumulative total in the first six months amounted to \$21,951,000, or not much smaller than the total of the preceding year, and the yearly total is most likely to reach the \$40,000,000 mark.

Before the war, the best customer was China. The prewar record export of woollen and worsted yarns was reached in 1937, registering 7,401,000 lbs., of which 36.8% went to Manchuria and the Chinese Mainland, while, on the other hand, 34.8% were taken by India and Brazil. Of the total woollen and worsted fabric exports in the same year which amounted to 35,112,000 sq. yds., 36% was sold to Manchuria and China. The other customers included India (taking 24.4%), South Africa (10.4%) and the United States (1.3%).

Since the war's end, however, the continental markets have been closed tightly for Japanese wool goods, the toughest bottleneck in the way of trade promotion. Post-war customers have been South Africa, Brazil, Hongkong, India, Korea and North America. Among these South Africa has been the most stable market. Recently such European countries as Sweden, Denmark and the Netherlands are gaining in importance as Japan's wool goods purchasers. With the only exception of South Africa, however, these outlets are all lacking in such stability as prevailed on the Chinese market prior to the war, and one of them are yet well-established markets for Japan's wool products.

Reasons for such instability of the overseas markets are numerous. In the first place, Japanese wool spinners



## ECONOMIC LETTER FROM TOKYO

Merger of the two conservative parties (Democratic and Liberal) was inaugurated on November 15th as the Liberal Democratic Party. This followed the previous merger of the Left and Right Socialist Parties on October 13th. The new conservative party started out with a majority of 298 seats (total seats, 467) in the House of Representatives, and 115 seats (total seats, 250) in the House of Councillors. For the financial and business community, longing for a stable government, the merger brought about favorable reactions. At the same time they expressed the hope that the new party would capture public confidence by strictly adhering to the principles and rules of parliamentary government and not abuse the powers of a majority party. As for economic policy they warned against easy expansion and urged continued adherence to the sound fiscal line.

The balance of payments for October prolonged the surplus trend with expanding exports (receipts \$241m., pay-

ments \$172m., leaving a surplus of \$69 million; actual surplus of \$63m. after adjusting the increase in deferred payments). This brought the total surplus for the year so far to \$384 million (actual, \$240m.). The large October surplus was aided mainly by active exports (\$179m. including textile products, iron-steel and ships) and low level imports (\$142m.; big dip in rice, wheat) which left a surplus of \$37m. (actual \$31m.) in commodity trade alone. On a currency area basis, the dollar and sterling balances continued to be favorable (by \$52m. and \$8m. respectively). The open account also turned favorable from the import dip (\$91. surplus). An element of caution is that the increase in import of surplus agricultural products (\$19m. in Oct.) is excluded from import payments which means that the surplus balance for the month is bigger by that amount. Moreover, it also indicates that the total import amount is actually in excess of \$160 million.

Bank funds eased further reflecting the rise in excess payments over receipts in Treasury financings and slack fund demand. This situation has tended to accelerate the lowering of interest rates. The Long Term Credit Bank lowered its rate further by 0.73% (effective Nov. 1st) following the 0.365% cut on long term loans to the electric power industries on July 1st. This rate lowering trend is expected to spread gradually to other financial institutions as well as other industrial lines in view of recent financial conditions. Call money rates also softened notably. The November 15th rate dipped 0.73% from a month ago to 5.84%. To regulate undue fluctuations in the money market as well as to effect the sound operation of excess funds by financial institutions, the Bank of Japan sold \$4,100 million in bills during October aimed against excess funds in the Central Cooperative Bank for Agricultural and Forestry, representing proceeds of rice deliveries. The Bank has also decided to conduct selling operations in Gov't bonds against ordinary banks from November. Selling operations have already been consummated with several local banks.

**Raw Wool Imports:** Japan's wool manufacturing industry is completely dependent on foreign wool supplies. In 1937, the prewar record of 868,372 bales were purchased. It was in June, 1947, when 7,000 bales of Australian wool arrived at Yokkaichi, that postwar wool imports were resumed. From that time to 1950, wool was imported in small quantities on a government-to-government basis and this under various restrictions on grade and volume.

Switched onto a private basis in 1951, wool imports rapidly increased from 485,464 bales in 1951 to 558,406 bales in 1952 and 839,608 bales in 1953, or closely approximating the aforementioned prewar high. In 1954, however, purchases turned downwards as the import fund allocation was slashed due to the aggravation of the international payments position: the January-June total was not more than 311,345 bales. The yearly total for 1954 was over 10% less than the total of the preceding year.

Japan was, and still is, dependent mostly on wool from Australia. Before purchases from Australia began to drop sharply in 1937 on account of the war situation, Australian wool accounted for 80-90% of Japan's total wool imports.

However, in 1953 Japan's dependence on Australian wool considerably declined in 1953, when the proportion of the Australian wool imports fell to 56.9% of the total wool imports of that year. In the first half of 1954, Australian wool comprised only 192,447 bales, or 61.8% of the total wool imports amounting to 311,345 bales. This was mainly due to extraordinary circumstances caused by the low level of Japan's sterling holdings.

The Nat'l Fed. of Bankers Ass'n's Investment and Loan Committee decided to take over for private investment, a sum of ¥15,000 million from the estimated loan total of the Japan Development Bank (a Gov't financial institution) for the fiscal year ending March 1956, under the following conditions: (1) Industries (borrowers) designated by the Development Bank as being difficult of financing owing to the shortage of funds, will negotiate separately with the banks concerned as regards methods of private financing. (2) Loan conditions (rates, terms) will follow the private financing line, upon consideration of the desires of the borrower. (3) The ¥15,000 million will be apportioned as follows: electric power, ¥8,000 million; iron-steel, ¥1,500 million; ammonium sulphate, ¥1,500 million; others, ¥4,000 million. (4) Loans will take the form of subscriptions to corporate debentures, direct loans and other appropriate forms. They will be spread over as many banks as possible. This partial fiscal investment-loan shift-over to banks is directly attributed to shortage in Gov't loan funds caused mainly by the dullness in postal savings. At the same time, it is considered highly significant in pushing financial normalization by emphasizing the supplementary function of loan extensions through Gov't financial institutions and stressing as much as possible the role of private credit outlays in industrial financing.



## EMIGRATION AID COMPANY IN JAPAN

Emigration as one step in solving Japan's population problem will be given a new boost early next year with the establishment of a semi-governmental organization to be called the Japan Emigration Aid Co., Ltd. The Japanese Government will cooperate in this project which will deal mainly with granting loans to emigrants for transportation purposes and for establishing themselves in the country accepting them. Pressure is being built up among the people for emigration and Government officials are doing everything possible to promote the movement of the crowded citizenry to other lands. The new company will be capitalized at ¥175 million (\$486,111) with investments to be sought from both Government and civilian circles. This fund is now being raised.

Plans call, at the same time, for a working fund of \$15 million (¥5,400 million) for use in the countries which accept Japanese immigrants. Negotiations to set up this dollar fund were begun last autumn by ex-Prime Minister Yoshida upon his visit to the United States with three private American banks. The talks were completed by the Hatoyama Government. The new company will make loans to cover transportation charges, to get farms started and to undertake other independent pursuits. It will also take under con-

sideration the extension of loans abroad, within its means and where deemed most necessary, to farms, industries, fisheries and other forms of enterprises which will employ Japanese immigrants and can operate on a profitable basis. The type of enterprises chosen for such loans will depend on the desire of the country accepting the immigrants in order to avoid friction with local entrepreneurs. Funds obtained from the American banks will not be used to cover loans for transportation charges which will be handled separately by a sum to be borrowed from the Japanese Government.

At present, the principal countries accepting Japanese immigrants are located in Central and South America. These nations have been gradually shifting their emphasis from agricultural development to industrialization. As a result a change is taking place in the type of immigrants they desire. Besides the agricultural workers they asked for in the past, they are also demanding technicians and immigrants to participate in their planned economic programs. In order to meet this new trend, the types of people sent abroad from Japan must also be diversified. This will be one of the important works of the new aid organization which has been established.

## INTERNATIONAL HOUSE OF JAPAN

The International House of Japan, Inc. was established in Aug. 1952. It owes its origin to a group of intellectual leaders in Japan, including the late Count Aisuke Kabayama, to say nothing of the enthusiasm and help of Mr. John D. Rockefeller 3rd. The House is a private, non-governmental, non-profit organization and aims at promoting cultural exchange and intellectual cooperation between the people of Japan and those of other countries. It launched upon full scale activities with the formal opening on June 11, 1955 of the new building which serves as a center and provides study and residence facilities for both Japanese and foreign scholars and thinkers. The International House of Japan

building is located in Tokyo. The residence facilities can accommodate some 60 persons. Its special library of 5,000 volumes and 200 journals and magazines is provided with particular reference to Asian affairs and international relations. The facilities of the House are designed to meet a variety of needs, including those of the transient scholars and visitors actively interested in international affairs. The House cooperates with the Japan Committee for Intellectual Interchange and Columbia University in implementing a program for exchange of eminent Japanese, American and other foreign leaders.

## JAPANESE TOYS AND DOLLS

The commercialization of toys has been a boon to Japan, for Japanese toys are in great demand in many countries of the world. During the past one year, Japan produced about ¥20,000,000,000 (\$55,555,555) worth of toys of all kinds. Of this, she exported ¥6,200,000,000 to the United States; ¥700,000,000 to Mexico; and ¥300,000,000 each to Venezuela, Singapore and the Netherlands. Sales to the U.S. accounted for 60 per cent of the total toy exports. Metal toys led other types in the export totals, accounting for ¥5,400,000,000 (\$15,000,000) or about 60 per cent of all toys sold abroad. China toys earned ¥1,600,000,000 to follow metal toys in popularity. A peculiar feature of commercialized Japanese toys is its origin which was quite different from that of most other countries. Many Japanese toys had their origin as souvenirs sold in the precincts of shrines and temples. As such they were regarded as charms or talismans. From this beginning, the making of the toys reached its present state of industrialization through the

impact of modern civilization with its fast mode of transportation and mechanization.

Many of the toys proved attractive to the foreign visitors and thus began a lucrative export trade. There are, however, numerous Japanese toys which still remain unnoticed by foreigners. Among the metal toys—top export item—are motorcars, trains, tram cars, steamers, aeroplanes, tanks, fire engines and others as well as comical pierrots and animals. Some of them are operated by clockwork, but there is at present greater emphasis being placed upon those run by "friction." Such toys as electric fans and mixers are partly made of metal, and they are operated by batteries or transformers.

Next come toys made of china. The art of making chinawares was introduced into Japan about five centuries ago, and the Japanese have developed their own chinawares. At present Japan produces the largest varieties of porcelains

# ECONOMIC REVIEW OF THE PHILIPPINES

## FOREIGN TRADE AND PAYMENTS

### Reserves Reach Five Year Low

At the end of May, the International Reserves, which had fallen steadily since last autumn, dropped below \$240 million, to the lowest point since the crisis at the end of 1949. And, although they subsequently picked up, reaching \$253.5 million by the beginning of August, they were still \$50 million less than a year ago and lower than at any time in the past five years.

This has caused some concern but there has been no crisis atmosphere such as was so evident in 1949, for this time capital has not left the country, there is a comprehen-

and chinawares, including excellent but inexpensive toys such as miniature tea sets, coffee sets, dolls, figurines, and animals.

Rubber toys rank the third among the toys exported by Japan. Beach balls, horses, dogs, birds and fish are most beautifully made of rubber sheets by the dextrous hands of the Japanese workers. There are various types of jacks-in-the-box, and also grotesque snakes, lizards and spiders, etc. Next come paper and wooden toys. Paper Christmas decorations, figurines and knickknacks are also exported in large quantities. Toys made of fabrics, including stuffed dolls and animals, are enjoying a better reputation than those produced by foreign competitors. Most Japanese celluloid toys are now incombustible and their colouring is much brighter, and, at the same time, the prices are coming down. Japanese toys made of both celluloid and metal have been enjoying an excellent reputation over many years. New designs are constantly being added.

Harmonicas were once the special products of Germany. During World War I, when their export was suspended, Japan started to produce harmonicas to meet the overseas demands. At present, Japan is one of the leading producers of the harmonica in the world, and their export is on a steady increase. This is also a product of excellent Japanese craftsmanship.

A foreigner who once came to Japan for the first time exclaimed that "Japan is a land of dolls." Another said that there were more dolls in a Japanese home than the members of the family. These foreigners happened to visit this country during the Doll's Festival season in March. On March 3 every year more than 15 "Hina" dolls are displayed on a five-tiered platform in many Japanese homes and prayers are offered for the happiness and health of girl members of the family. Young Japanese girls have many other types of dolls. So the foreigner was right when he said that there were more dolls found in a Japanese home than the members of the family. Some Japanese dolls have a high aesthetic value. At the annual exhibition held by the Japan Academy of Art, which is considered the most outstanding art event in Japan, many Japanese dolls are displayed side by side with paintings and sculptures. It is doubtful if there is any other country where dolls are given the same rank as the best paintings and sculptures.

It is only natural that the unique Japanese dolls should attract the admiration of foreigners. Those dolls which are clad in typical Japanese silk "Kimono" are especially charming. They represent not only ordinary Japanese men and women but also Kabuki actors, Noh players and Geisha girls. They are held in high esteem by foreigners, and they do represent a thriving Japanese industry.

sive exchange control system and the economy is generally stronger.

The deterioration has resulted from the failure of export receipts to keep pace with payments for imports. Whilst import spending rose from \$231 million to \$279 million, or by a fifth, between the first half of 1954 and the same period this year, exports actually realised 5 per cent less, and this at a time when the trade position is usually favorable.

Foreign Payments and Disbursements  
(\$ million)

|          |         | Jan.—June |        |
|----------|---------|-----------|--------|
|          |         | 1954      | 1955   |
| Receipts | Total   | 271.7     | 265.7  |
|          | Exports | 188.1     | 178.1  |
| Payments | Total   | 264.2     | 312.4  |
|          | Imports | 231.1     | 279.0  |
| Balance  | Overall | 7.5       | -46.7  |
|          | Trade   | -43.0     | -100.9 |

### Deterioration in Terms of Trade

The decline in exports was mainly caused by a drop in prices. Whilst the average volume of exports was actually a little higher in the first quarter of this year than in the first three months of 1954, their prices were 15 per cent lower. And subsequent market quotations showed a continuation of this trend to the middle of the year; the average price of copra for the first half of the year was P28.27 per 100 kilo; P4.48 pesos less than in the same period of 1954, whilst coconut oil declined by 10 centavos to 50 centavos a kilo, export sugar dropped by P1.33 per picul (139.44 lb) to P13.77 and abaca (Davao and non-Davao J1) was P7.40 lower at P28.19 a picul. Import prices on the other hand were only about 4 per cent lower during January-March 1955 than in the same period last year, and this drop was more than offset by a rise of no less than 23 per cent in the volume of imports. The Philippines has thus been importing more on increasingly unfavourable terms.

### More Essential Imports

Although disappointed at the lag in export earnings, the authorities are not unduly worried by the heavy import volume for, compared with earlier years, essential goods now represent a far higher proportion of the total. Whereas in 1949 47 per cent of all imports was accounted for by consumer goods, only 43 per cent by raw materials and 10 per cent by capital goods, the proportions were 25 per cent, 56 per cent and 19 per cent last year. And as the latest trade figures given in Appendix 2 show, although textile imports increased sharply between the first quarter of 1954 and the same months this year, so did those of metals, metal manufactures and electrical equipment. This import pattern indicates the real progress achieved by the Philippines since independence, and makes the trade deficit rather less serious than it would otherwise appear. It fully justifies, as the Governor of the Central Bank said recently, a flexible international reserve policy.

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### Further Measures To Protect The Reserves

At the same time, however, it makes it difficult to halt the drain on the reserves without hindering further economic progress and increasing unemployment. Temporary relief is being obtained by converting P20 million into dollars through the IMF but inessential imports and those than can be met from local resources are being closely screened for possible further economies.

On July 9th President Magsaysay directed the Monetary Board of the Central Bank to reduce sharply the dollar allocations for non-essential consumer goods and the following day told them to consult the National Development Company before issuing further exchange allocation for cotton yarn and grey cloth in order both to conserve dollars and to protect local industry. Accordingly, on the 14th July, unexpired textile quotas were temporarily frozen and a month later sharp cuts were made in certain general import quotas.

Exchange allocations for the third quarter of the year had previously been fixed at the equivalent of half importers' regular quotas in the first half (with deductions for any advances made before June 30th), which meant no change in effect. The cuts announced early in August reduced quotas for the second half of the year (assuming these would have been twice the third quarter rate) by 50 per cent for non-essential consumer items, all textile yarns, fabrics and piece goods, and any additions made to the quotas in the January-June period which would be used as the basis for current quotas, were also halved. The only exceptions are for Filipinos with half-year allocations of less than \$15,000. This means that an importer of non-essential consumer goods who had opened letters of credit corresponding to his third quarter quota would have nothing left for the last three months of the year. Reductions were also made in quotas for automobile parts (20 per cent), steel rods or bars (50 per cent) and industrial refrigerators and refrigerator parts (30 per cent).

A loophole in the control machinery which is believed to have caused an appreciable loss of dollars for non-essential and luxury items has also been plugged. An act passed at the recent special session of Congress bans the import of goods other than those needed by dollar-saving industries which formerly came in under "no dollar remittance"—i.e. were not paid for out of official exchange allocations. This move is expected to strengthen the peso by reducing the extent of the currency 'black market' whose prime role is to finance these imports.

### New Import Tax To Be Introduced

With the Laurel-Langley Agreement now ratified by the Congresses of both the Philippines and the United States, the road is open for implementing the new proposals governing economic relations between the two countries next year. These proposals have been discussed in previous issues of this review. One of them, the replacement of the 17 per cent tax on virtually all foreign exchange purchases by a special tax on imports only, is now made effective by a recent act of the Philippine Congress. This tax will come into force on January 1st 1956 at the present rate of 17 per cent and will decline thereafter to 15.3/10 per cent in 1957, 13.6/10 (1958), 11.9/10 (1959), 10.2/10 (1960), 8.5/10 (1961), 6.8/10 (1962), 5.1/10 (1963), 3.4/10 (1964), and 1.7/10 (1965). The President is empowered to make adjustments either to ensure that revenue from goods imported from USA is not less than was derived from the existing Foreign Exchange Tax on those goods this year, or in anticipation of a budget deficit. Certain essential imports are exempted; these include machinery and raw materials for 'new and necessary' industries, cattle, certain foodstuffs, government imports, machinery, accessories and

spares for mining, planters and farmers, fertilisers imported by farmers, spares for repairing vessels and aircraft of Philippine registry, papers and books, and certain medical supplies.

Meanwhile, until all non-trade purchases of foreign exchange cease to be taxable from the beginning of next year, the Central Bank has made exemptions in the case of certain insurance payments, purchases of ships for Philippine registry, remittances of US airlines operating in the Philippines to head offices in USA and repayments of principal and interest on Philippine government loans.

### Settlement on Japanese Reparations Near

Japan probably stands to gain as much as any other country from the changing pattern of Philippine trade. Although it took only Pesos 21.8 million of Philippine exports between January and March, or 15 per cent less than in the first quarter last year, its share of the import market rose from P13.9 million to P23.3 million, or by two-thirds. There is every indication that Japan plans to strike out for a bigger slice in future.

Trade between the two countries should increase now that the vexed question of reparations is being settled. The present trading and financial arrangements, which had been extended for another three months to September 1st, will probably be replaced by a permanent trade agreement.

The Japanese negotiators have now accepted Manila's demands for reparations totalling \$800 million, and their government is expected to approve the arrangements and so enable a formal agreement to be concluded some time in October. The plan is for Japan to pay \$550 million in capital goods, services and cash, and make the remaining \$250 million available in the form of long term loans at a low rate of interest. The loans, managed by the Export-Import Bank of Japan, are to be private arrangements between Japanese and Philippine firms. They will, however, be guaranteed by the two governments and the Japanese lenders will have no control over the Philippine borrowers. The Philippine government will see to it that the loans are limited to projects directly connected with the development programme.

### PRIMARY PRODUCTION CONTINUES TO RISE

#### More Copra, But Uncertain Market

Whilst the trade and payments position has deteriorated, an encouraging economic feature of recent months has been a continued rise in domestic output. Copra shipments rose from 324,638 tons in the first half of 1954 to 344,032 tons in the same period this year, and with favourable weather this year's output is expected to increase by 10 per cent over last year's 1,050,000 tons. Although the ban on the export of immature nuts, introduced in April, may mean a temporary drop, output will ultimately rise as heavier fruits are gathered.

The authorities are helping the industry to become more efficient. Early in June, the Agricultural Credit and Cooperative Financing Administration announced plans to help finance production and marketing through cooperatives and later in the month the President authorised the appropriation of P30 million to establish provincial centrals (mills). The Philippines is also encouraging copra improvement on an international plane; it is at present host to a conference of producing and consuming countries.

Export prospects, however, are dull, copra being no exception to the quietness in most oilseed markets. This has been due to tight money conditions in consuming countries which have discouraged speculation and thinned stocks, and the sudden decision of the Dutch Government to sell its strategic stocks of oilseeds (about 50,000 tons in all) to the domestic trade. The main factor in com-

ing months is the likelihood of bumper oilseed crops in USA, which could lead to a further shedding of stocks.

#### Abaca Production Turning The Corner?

There has been a rather surprising upturn in abaca output after the steady decline of recent years; 53,887 metric tons were pressed in the first half of this year, compared with 51,601 metric tons during January-June 1954. But it remains to be seen whether mosaic disease and other problems can be effectively solved; experts still expect a further slight fall in output for the whole year to 99,480 tons, against 100,220 tons in 1954.

Market prospects look more hopeful than a few months ago. Prices have fluctuated—Davao Grade I costing 19.25 US cents a lb (landed New York) early in August, against 18.5 cents in July and 19.3 cents in June. But, although world supplies will rise as Philippine production accounts for such a large part of it, demand is expected to keep pace, especially in Japan where the shipbuilding industry is very active. World demand for most hard fibres is in fact expected to be firm, with the probability of larger grain crops this year.

Another encouraging factor for the Philippine abaca grower is the government's decision to set up an Abaca Corporation to help with marketing. This should stimulate a further rise in output.

#### Sugar

The drop in sugar production foreshadowed in our previous report has been confirmed by recent information, which suggests that, with milling almost finished, the 1954-55 crop should amount to 1,425,646 short tons, or 28,230 tons less than the revised figure for the previous season.

But it is marketing that presents the main worry. With the revised form of the US Philippine Trade Agreement now approved, Philippine sugar will have to start paying duty in the US market as from next year, although initially the levy will be only 5 per cent of the full rate. Another unfavourable factor is the unlikelihood, as indicated by the progress on the revision of the US Sugar Act to date, that the Philippines would get a share of any increase in US domestic consumption. The US market has been relatively quiet, with Philippine sugar selling at 5.50 cents a lb in mid-August or a little cheaper than earlier in the month, and several points below prices of a year ago.

The outlook is also uncertain in the world free market—a much less important outlet than USA, but one to which the Philippines will increasingly look in the years ahead. The fact that prices dropped below the minimum 3.25 US cents led the International Sugar Council to cut quotas by 5 per cent early in August. Allowing for a small share in the unused quotas of Brazil, Netherlands and Russia which were redistributed, this brought the Philippines' effective share to 23,380 metric tons. Most of this has been bought by Japan. Another possible outlet has opened up; the Sugar Council has allotted the Philippines an additional quota of 22,046 short tons for shipment to neighbouring countries in exchange for rice. But even with this, the total free market quota is less than a third of this year's expected surplus.

#### Tobacco

Reports on the tobacco crop are rather confusing but output appears to have increased, especially of virginia types, which are estimated at 6.8 million kilos or over double last season's yield. Exports, however, have not been encouraging; shipments of all types of leaf averaged only 111,390 kilos a month up to May this year, against over 800,000 kilos in the comparable period of 1954. Spain's decision to turn to South America for tobacco supplies, probably because it is cheaper there, was the main cause. As a result local buying was stopped in some provinces and prices tumbled, leaf tobacco selling at Pesos 35.8 a quintal (46 kilos or 101.4 lb) in June, compared with P39.56 in January and P36.68 twelve months earlier. Native grades have gone even lower

to P16. Four major tobacco-buying companies in Manila have promised the growers of Cagayan Valley a minimum of P20 per quintal, but, with the prospect of larger world tobacco crops, competition will be severer and supports harder to maintain.

Another worry recently was the attempt by the USA to sell \$19.5 million worth (about 17 million kilos) of surplus tobacco to the Philippines or \$14.0 million more than the law allows to be imported. The Philippines has conveniently sidestepped the issue by letting the June 30th deadline for the deal pass without agreement.

#### Still Not Enough Rice

The inability of the Philippines to become independent of imported rice by producing enough at home continues to be a top problem for the government. Early in July, the Secretary of the Office of Economic Coordination authorised government corporations to barter their products for rice. The Philippine Sugar Institute and the National Rice and Corn Corporation (NARIC) have agreed with Thailand for the exchange of 10,000 tons of Thai rice for a similar amount of sugar and it has been reported that Philippine coal may be exchanged for rice too. Another 30,000 tons are to be imported by private firms under contracts with the NARIC. And it has been suggested that growers should be encouraged by means of price supports.

#### Forestry

Brisk buying by Japan has caused a sharp jump in exports of logs and lumber. These rose from 44 million bd. ft. in March to 53 million bd. ft. in April and 91 million bd. ft. in May, and although they slipped back to 72 million bd. ft. in June, the total for the half year amounted to 353 million bd. ft., or 72 million bd. ft. more than in the same period last year.

#### Mining—Gold Producers' Difficulties

The chief news from the mining industries during the quarter has been the continued difficulties of the gold producers. Although they mined 174,000 fine ounces during the first five months of the year or slightly more than the 172,500 ounces produced in the same months last year, many are finding it increasingly hard to operate profitably. Free market quotations in July were down to P97 an ounce, better than May's P95 but, apart from that month, lower than at any time since December 1949. They are clamouring for an improvement in the government's subsidy scheme which at present means a price of P111.72 an ounce for marginal mines (over-marginal, P105.40), but only for about 40 per cent at their output. Whilst the Gold Subsidy Board is now considering what it can do when the present subsidy ends next June, some of them are contemplating switching to base metal production which is more profitable.

This is where new mining interest is centred. One new venture, Atlas Consolidated Mining, has started an open-cast copper working with a daily output of 4,000 tons and reserves estimated to be sufficient for 100 years. It also plans to build a fertiliser factory to utilise pyrites from its iron properties.

A quick silver mine in Palawan, newly operating, has now started shipments of metal. Uranium and molybdenum projects are under way, as is the exploitation of several new copper properties. The currently soaring world copper price will probably boost copper production in the Philippines. These developments have caused a boom in mining shares on the stock exchange.

Production so far this year has been disappointing. Output of iron ore is running slightly above last year, 609,286 tons being mined between January and May, compared with 608,515 tons in the same period last year. But chromite was down from 202,185 tons to 176,532 tons, manganese from 8,358 tons to 3,145 tons and copper concentrates (exports) from 36,868 tons to 23,922 tons.



## INDUSTRY AND COMMERCE

### Industrial Production Rising

The Central Bank's index of 'Gross Sales' of manufacturing establishments indicates the continued steady expansion in industrial output. Although January and February were slack months and the first quarter's average was lower than a year ago (107 against 112 in January-March 1954), activity picked up again in March to reach 115.1 (1951 = 100) (March 1954 111.4).

Some of the features of the rise since 1949—over 80 per cent according to the official index—have been analysed recently by the Central Bank. One important factor has been more liberal credit, manufacturers securing P61.8 million last year or four times as much as in 1950. And there has been an improvement in the pattern of imports as between capital goods and raw materials on the one hand and consumer goods on the other. Manufacturing employment increased by a fifth in the four years to 1954, and, between 1952 and 1954, monthly earnings rose by a tenth.

Feature Of The Rise In Manufacturing Output

|            | Mnfg. prod.<br>(1949=100) | Loans<br>to mnfrs.*<br>(Mn. pesos) | Capital<br>goods | Composition of imports<br>(F.O.B. value in mn. pesos) |  | Consumer<br>goods | Mnfg. Emplt.<br>('000 persons) | Av. monthly wage<br>earnings in mnfg.<br>(Pesos) |
|------------|---------------------------|------------------------------------|------------------|---|--|-------------------|--------------------------------|--|
|            |                           |                                    |                  | Raw<br>Materials                                      |  |                   |                                |  |
| 1950 ..... | 120.9                     | 15.5                               | 95.3             | 353.7   |  | 236.0             | 54.7                           | —  |
| 1951 ..... | 141.8                     | 36.6                               | 111.9            | 521.1   |  | 329.6             | 55.3                           | —  |
| 1952 ..... | 149.3                     | 44.2                               | 146.8            | 528.6   |  | 265.9             | 55.4                           | 107  |
| 1953 ..... | 168.7                     | 44.3                               | 155.5            | 459.5   |  | 240.1             | 60.8                           | 114  |
| 1954 ..... | 186.6                     | 61.8                               | 183.2            | 541.9   |  | 240.3             | 64.5                           | 119  |

Source: Central Bank. \* Outstanding with other banks

### Growth Of Durable Manufacturing

A significant feature of the recent industrial expansion in the Philippines is the progress in durable manufacturing. Although only a small sector of the economy—less than 10 per cent of all manufacturing last year—it is growing. Last year it provided something over 10 per cent of new durable equipment, about 7 per cent more than in 1953—an important contribution for a relatively underdeveloped country. In value terms durable goods output rose from P69.7 million to P78.4 million, or by 12 per cent, whilst that of non-durables was P5 million lower, at P675 million.

### New Industries

The latest development in the manufacturing field is a new company for making cement. Despite some opposition from existing manufacturers, the fact that the President gave his approval is evidence of the need for additional capacity. Now that the dispute with the Philippine Oil Development Company over their concessions has been settled, the Standard-Vacuum Oil Company plans to build a \$33 million refinery. Besides being the second refinery in the Philippines—Caltex is already operating one—this will be the biggest private investment project. A new tyre and inner tube factory, to be built by the Goodrich Rubber Company of Manila, is expected to meet about half the Republic's needs and hence save dollar exchange. Credit of up to \$1.8 million has been granted by the US Export-Import Bank for the purchase of American equipment for this. Another American firm, Reynolds Metals (Philippines) started producing foil at its P6 million aluminium plant on June 15th; 25 million lb of foil, corrugated roofing and flat sheets a year is the eventual target. A new P1 million textile plant is shortly to be opened by the newly-formed Roxas-Kalaw Textile Mills Company, a subsidiary of the Madison Silk Manufacturing Company of New Jersey. Other foreign interests include the assembly of Fordson tractors, Thames diesel lorries and other products of the British Ford Company. Another foreign country in the motor business is Japan; the Isuzu Motor Company of Tokyo plans to assemble cars and diesel engines in Manila.

Two Philippine industrial projects recently announced are a pig iron plant to be set up by the National Shipyards

and Steel Corporation for which P45 million has been appropriated, and a ramie textile mill, costing P10 million, which it is hoped will produce goods at half the price of cottons.

### Internal Business Recovering

The lack of up-to-date statistical information makes it difficult to measure recent trends in internal business activity, but confidence appears to be returning and trade is undoubtedly better than a year ago. The Central Bank's 'Gross Sales' index began to perk up in March, the latest month for which figures are available; the overall index rose from 105.2 in March 1954 to 108.9 a year later, despite a drop in the value of overall mining output, and manufacturing stood at 115.1 (111.4), construction 94.9 (76.0), public utilities 137.7 (120.0), commerce 103.3 (100.6), transport and communications 109.1 (105.8), and services 108.7 (90.7).

A moderate increase in provincial trade in June, with schools opening again, is reported by Bureau of Commerce observers. In Batangas, apparel in particular sold well, and cottage industry output rose. Higher copra, hemp and lum-

ber output and a good rice crop helped business in Samar and increased employment. In Leyte retail turnovers rose as a result of slightly better prices for export products, higher employment, seasonal celebrations and increased public works construction. Planting in anticipation of heavy rains stimulated employment in Iloilo. Trade was brisk, but prices steady in Zambales, but poor weather hampered logging and cottage industries. The same was true in Neuva Ecija, where school opening and firmer rice prices improved business. Pre-school buying stimulated trade in Zamboanga too.

Money is still tight, and businesses continue to rely heavily on borrowing—outstanding loans, discounts and overdrafts of the commercial banks amounted to P708.6 million at the end of February, P72.8 more than a year earlier. The fall in the money supply seems to be levelling out, however, and internal demand should benefit from increased government spending that is planned.

Increased profits are reported by many firms and, although virtually confined to mining and oil shares, the recent boom on the Manila stock exchange may be an indication of what people are thinking about the future. 356 million shares worth P45 million were dealt in during the first six months of the year, compared with only 52 million (P9 million) in the same period last year, and the Central Bank's index of stock prices reached a new peak of 90.4 in June (1952 = 100), 6 points higher than in January and 14 above the level of June 1954.

### More Encouragement For Filipino Retailers

There has been much consternation in commercial circles at the recent legislation replacing the Price Stabilisation Corporation (PRISCO) with the new National Marketing Corporation (NAMARCO). The purpose of the new organisation is "to assist Filipino retailers and businessmen by supplying them with merchantable goods at prices that will enable them to compete on the open market so that they may have greater participation in the distribution system". Although this is a popular theme amongst Filipinos, many fear that, freed from taxes, NAMARCO might rapidly monopolise the import trade, to the detriment of private firms, besides absorbing public funds and possibly becoming a

source of corruption of which there has been so much in the past. It is to be capitalised at P30 million.

Another and less controversial measure for helping the Filipino retailer is an act setting up a 'revolving fund for providing loans and requiring importers to sell 30 per cent of their imports of prime commodities to bona fide Filipino retailers.

#### **The Investment Problem**

Measures like these will doubtless be closely watched by potential investors, apprehensive at any further sight of "nationalisation thinking". Some are also worried at the criticism levelled at the American community, which, though it cannot be labelled 'anti-Americanism', must react adversely on the investment climate. Economists and businessmen continue to call for definite assurances to foreigners investing in the Philippines but, though an investigating mission visited the USA and reported on the guarantees required by American investors (see last issue), the much revised Foreign Investments Bill has not yet made the grade in Congress. Some encouragement has, however, been given to domestic investors in the shape of an Act prohibiting the disclosure of or enquiry into bank deposits. It is hoped that this might help round up the P250-300 million believed to be hoarded.

#### **New Planning Authority**

There has been apprehension recently that the development programme is lagging. This is hardly surprising in a country where people are naturally ambitious and optimistic for the plan seeks to raise the National Income from P7,438 million last year to P11,000 million in 1960 by investing over P4,000 million. Nevertheless the President recently signed an order creating a new supreme planning body to enable, in the words of the official survey and reorganisation commission that recommended it, "economic development to proceed at a faster rate and in a more balanced manner". This body, also called the National Economic Council, replaces the old National Economic Council, the Philippine Council for US Aid, the Economic Planning Board and the Tariff Commission, bringing their work under one roof. Its tasks will be to review existing programmes and modify them yearly, survey the country's resources, establish investment goals, consider fiscal reforms, formulate tariff and trade policies, coordinate statistical services and prescribe foreign exchange priorities.

#### **P100 Million For Public Works**

The latest instalment in the development programme is a public works scheme costing P100.5 million (\$50 million), approved by the Council of State in June. The largest amounts will be spent on waterworks (P26.5 million), roads and bridges (P25.0 million) and irrigation (P22.8 million) and P17.0 million will be spent on public building, P7.1 million on improving ports and harbours and P2.2 million for artesian wells. The money is to come from a proposed public loan.

#### **More Aid For Agriculture**

Agriculture, on which, however vigorously, industrialisation proceeds, the economy must continue to depend, has also come in for more direct aid. The President announced in June that a P64 million loan subscribed by US Banks had been given to the Agricultural Credit and Cooperative Financing Administration (ACCFA) to bolster yarn production and rural purchasing power. The money is being spent on warehouses, copra driers, and refrigeration and processing plants.

A start has also been made on the problem of land reform with the passing of an act providing for the redistribution in family-size units of public lands and those of absentee landlords and creating a Land Tenure Administration to carry out the work. Whether or not this will work in practice, however, remains uncertain, for the far reaching measures envisaged are likely to meet with much criticism.



## ECONOMIC REPORTS FROM THE PHILIPPINES

**Rice Output:** An increase of 1.4 percent in palay production for crop year 1955 over that of the previous year was predicted by the Department of Agriculture and Natural Resources. This year's expected palay production of 73,800,000 cavans will better the preceding year's output of 72,793,000 cavans by 1.4 percent. This bright estimate was made possible in the face of a shrinkage in the area cultivated by about 14 percent that of the year previous.

**Budget:** Secretary of Finance Jaime Hernandez disclosed that the government finances were sound and that the national budget was balanced. Revenues from taxation totalled, for the months of July and August, P130 million. Compared to 1954, which saw a collection of P117 million for July and August, there was an increase of P13 million. The cash position as of September 30, this year, amounted to P18,800,000. Around 500 local industries are operating with tax exemptions.

**Failure of Firms:** Gregorio S. Licaros, assistant to the governor and head of the import-export department of the Central Bank, said failure to execute plans caused dissolution of many government and private corporations. Licaros attributed failure to: 1. Lack of trained men. 2. Lack of executives. 3. Purely political appointments.

**Visitors:** Immigration Commissioner Emilio Galang announced regulations exempting all visitors staying less than six months from immigration clearance requirements. Temporary visitors, transients, and other non-immigrants will be required to present immigration clearances only if they stay more than six months in the country. Only permanent residents leaving the Philippines for short trips abroad will be required to submit a clearance from the National Intelligence Coordinating Agency. All others will be exempted from this requirement.

**Mine Deposits:** Negotiations are under way between mining companies, mainly U.S. and Canadian, and the Philippine government, which owns the deposits, is requesting bids.

An agrarian court is also to be set up under a recent law passed by Congress.

## Rise in National Income

Recent economic progress in the Philippines is revealed by the latest national income figures just published by the Central Bank. During 1954 goods and services worth P8,454 million were produced, or nearly 3 per cent more than in 1953 and the actual volume probably increased still more as prices fell between the two years. After allowing for taxes of P591 million and depreciation amounting to P425 million, the actual amount accruing to factors of production as wages, profits, interest, rent etc. (the National Income at Factor Cost) was P7,438 million, 3 per cent more than in 1953, or 4 per cent after allowing for price changes. Employees received P3,157 million, P100 million more than in 1953, and P4,017 million, or P126 million more, was absorbed in entrepreneurial incomes.

Agriculture of course was the source of nearly half the total, P3,231 million or a rise of 44 per cent over 1953, but the contribution of manufacturing, though only a third of that of agriculture, showed a similar increase to P1,042 million. Mining and trade made small gains but construction dropped by 14 per cent.

Most of the total, P7,276 million, went into private consumption, but there was a small increase, from P677 million to P708 million, in the share of investment. More than a third of this was spent on durable equipment, mainly machinery, electrical apparatus and vehicles.

The venture may provide a multi-million-dollar market for industrial suppliers; would ease unemployment, raise living standards, bolster foreign exchange reserves through exports—thus stimulating general imports—and provide a base for increased investment and industrialization. The deposits comprise 60,000 hectares in Surigao on Mindanao and adjacent islands and contain reserves of one billion tons of iron ore alone. Deposits on the island of Nonoc are mainly nickel and those on other islands contain chromite.

**Exploitation of Resources:** Further exploitation of natural resources by local capital and limiting alien holdings was advocated by Dean Teofil D. Reyes, past president of the Philippine Chamber of Commerce. Production potential of the Phil. is capable of supporting 80,000,000 but because of alien dominance in Philippine trade "we can hardly support 20 million of our people." For centuries the Phil. has developed colonial economy through predominance of alien rule. This prolonged occupation has de-Filipinized Philippine economy which up to the present has not yet been corrected by economic planners. Only 33 percent of Philippine business is in the hands of Filipinos, while the bulk of the business is controlled by aliens. This is responsible for the low income of working populace. It would be impossible to uplift the standard of living unless government found a way of improving the economy through steady employment.

**Foreign Investments:** The United States government is advising American businessmen that the Philippines is an encouraging site for capital investment. A commerce department handbook on "Investment in the Philippines" is picturing "a sound foundation" there for American capital. The Philippine Republic's close economic ties with the United States and its growing interest in attracting foreign capital offer encouragement to American private investors. The department announcement said in part:

"Other factors favorable to U.S. investment are the relative stability of the economy since 1949, general adherence to the principles of private enterprise, national treatment of American firms in development of natural resources and public utilities as provided by the U.S.-Philippine trade agreement, tax incentives, and the generally high level of profits accruing to foreign investors. However, these favorable aspects have been somewhat offset by restrictions on remittance of profits and capital transfers, taxes on foreign exchange, and import controls. Serious shortages of power and fuel have not yet been overcome, and internal distribution is handicapped by transportation inadequacies. Trained personnel is limited and labor costs per unit are generally high. The lack of a clear-cut long-range policy regarding governmental activities in the fields of industry and trade contributes to the uncertainties confronting potential investors. Frequent changes in the administration of rules and regulations have been the cause of widespread criticism, and growing nationalistic sentiment regarding commercial affairs appears inconsistent with the expressed policy of welcoming foreign investments.

"Many of these unfavorable factors can be corrected, and Philippine officials are giving attention to making such changes; steps are being taken to establish a foreign investment law, and other measures to ease the path of foreign investors in fields considered desirable by the Philippines can be expected. The manufacturing field offers the widest choice for potential foreign investment. Manufacturers which use domestic raw materials or which replace imports are particularly favored by the Philippine government. Pos-

sibilities include rope manufacture, textile, cigarette, and pulp and paper production, chemicals, drugs, rubber and related products. Increased production and processing of various food products also warrant investigation, and expansion of forestry industries appears feasible. Known deposits of chrome, copper, iron, and manganese indicate further exploration, and there is a possibility of petroleum deposits."

**Rural Program:** Farmers were reaping the benefits from the implementation of the rural development program of the administration, acting Commerce Secretary Perfecto E. Laguio pointed out. The land tenure system was being improved and supplemented by land resettlement. Essential facilities like easy credit, irrigation and roads are being made to be more effective aid to tenants and small farmers. The commerce department, in helping push through the rural improvement program, has: 1. Organized credit unions and consumers' cooperatives in the rural areas in order to enable the residents in those places to reap the greatest possible benefits from their labor; 2. Encouraged the promotion of home or cottage industries to furnish employment to the barrio people and augment their meager income; 3. Developed better methods of marketing their farm and handicraft or industrial products; and 4. Received consignments of agricultural products from farmers and producers for sale in the market and also make purchases for them. The Bureau of Commerce will give advances to farmers, producers or merchants selling commodities through it to cover the cost of transportation, handling and other expenses in shipping the goods.

**Tourist Trade:** Commerce Secretary Oscar Ledesma stated that there was a tremendous possibility of foreign investments in the Philippines if the tourist trade of the country could be improved to afford sufficient attraction to travelling businessmen. There was no better place in southeast Asia than the Philippines where foreign investors could invest their capital. Three factors were helping the Philippines attract foreign industrialists and businessmen. 1. The Philippines is located in a strategic area. 2. Southeast Asia is the most populated area in the world and the widest market. 3. The Philippines is the only Christian nation in southeast Asia where American and European investors could feel at home. The tourist trade could be improved with the easing of visa rules and customs regulations.

**Home Financing Plan:** President Magsaysay approved a P24,000,000 housing program calculated to clear Manila's slums and provide decent homes for the slum dwellers. The housing projects will be undertaken by the People's Homesite and Housing Corporation which will borrow as much money as is needed from time to time from the Philippine National Bank with the home financing agency guaranteeing the loans. The program calls for the construction of tenement houses to be rented at cheap rates to the laborers. Sites for these tenement houses will include the slum areas of Tondo and other districts in Manila where there are concentrations of laborers. In Tondo the proposed apartment houses may be constructed near the North harbor where many laborers have long been living in make-shift "barong-barong" houses.

## FINANCE & COMMERCE

### CREDIT AND SPECULATION IN HONGKONG

In a recent article published in the Far Eastern Economic Review,\* the recent credit policy of the Hongkong and Shanghai Banking Corporation in Hongkong was stated and explained. It is with the explanation that this article is mostly concerned, although we shall first repeat the facts. Since the beginning of 1955 and especially in May, and June the prices of shares on the local market had been rising. By July they were rising faster than the publicly available information concerning the companies and their prospects seemed to warrant. Such a situation affects banks in two ways. First, since banks lend, accepting local shares as security, anything which affects their value affects the probability of the default of loans outstanding which are so covered. Second, speculation often results in reaction, and in a market where there is a tendency for persons primarily interested in trade to enter or leave the market at one time, i.e. with changes in the trade prospects of the Colony, a collapse of the stock market might be expected. Such a collapse would affect the confidence of investors in Hongkong at a time when such confidence is essential to the economic well-being of the Colony, and, of course, any such lack of confidence would have serious effect on the business of the banking industry here.

A rising price of shares, however, does not present the same danger if the shares are not being bought on credit, or if the cash basis of purchases is relatively high. In July

and August the Hongkong and Shanghai Bank and the other banks attempted to discourage borrowing for speculation by raising interest rates on those overdrafts being used to finance the purchase of shares. There was an immediate reaction on the market, a recovery, and then a slow fall in prices to the pre-speculation level. A more direct attempt, in early November, to limit borrowing for the purchase of shares was made by the Hongkong and Shanghai Bank when they circularised some thirty or forty of their customers and gave notice that the overdraft limits would be reduced to 30% of the market value of the shares. The reaction again was sharp, although there was no real reason for it, since the actual number of shares which would have to be sold as a result of the bank's action is probably small.

In a banking system which contains many small banks of relatively equal size, the individual banker feels little responsibility for the economy as a whole, primarily because he is not in a position to affect the course of national income or to check undesirable credit practices, except in his own bank. A unit bank of small size can usually lend an amount equal to its surplus reserves (i.e. surplus cash) since any loan can be expected to drain an equal amount of surplus reserves, mostly to other banks. The Central Bank accepts the responsibility of checking the multiple credit expansion which is possible when the other banks receive these surplus reserves and base their loan policy upon them.

\* 'Check on Speculative Activity', Far Eastern Economic Review (November 7, 1955), pp. 637-38.



In Hongkong, there are some 90 banks, but of these there is one which dominates, not only because it is the largest, but also because it is the clearing bank and holds the largest part of the sterling reserves of the Colony's banking system. If the Hongkong and Shanghai Bank does not lend, then the other banks will find their lending ability restricted to the present state of their surplus reserves, reserves which they will quickly lose to the clearing bank. If the Hongkong and Shanghai Bank lends, it can lend more than its surplus reserves, how much depends upon the demand for cash and the demand for sterling.

Where there is no central bank, it often becomes necessary for the larger banks, or for an association of banks as in Singapore, to act in a fashion similar to that of a central bank. They do not do this against their own interest in some altruistic gesture of good-will; they do it because, unlike a small bank in a unit system, they can affect the economy and are therefore interested in the wider consequences of their loan policy.

In the article 'Check on Speculative Activity' referred to above, it was stated, 'In general, however, a bank's power to make loans is limited by the amount of its cash'. This is, of course, true, and it may have been—for these matters are not made public—that the credit restrictions were made solely for reason that the cash, i.e. surplus reserves of the bank, were relatively low. Under these circumstances, a fall in the price of shares and the consequent failure of borrowers to repay would have embarrassed the Bank. It would also have been a serious blow to the Colony, and therefore the interests of the bank and the public coincided. The defense of the Bank's action, if defense is needed, rests then upon its desire to prevent speculation to such a point that a crash would result with consequent threat to both Bank and Colony.

Unfortunately, the article quoted did not stop here. It dragged out the old 'banking principle' and claimed that the Hongkong and Shanghai Bank was attempting to prevent the application of credit to non-productive purposes. 'The action of the Hongkong Bank will thus be seen to be the exercise of its responsibility and duty to the community to check the flow of funds of non-productive speculation in local shares and channel them to productive enterprises on which the existence and prosperity of the Colony depend'.

Except to moralists, in which category banks are not usually included, everything which has a market price is productive. There can be no distinction between productive and non-productive in the sense above suggested. Only shortly after the event, a Hongkong businessman explained how that, in a limited sense, it was the existence of speculators which made a stock-market in Hongkong possible. In this he was certainly not defending dangerous speculation, but he was pointing out that the buying and selling of shares as a business or in hope of profit serves a function in the economy and is not necessarily 'unproductive'.

One of the most often repeated myths of economics is that money can either be used to finance production or the stock-exchange, but not both. Money lent to buy shares cannot be used, it is said, to build factories. This obviously is not so. While the buyer spends his money on shares, the seller of the shares receives the money and can use it for any purpose—he can even build a factory if he wishes to. Suppose he decides to do nothing, however. In that case, the funds are deposited to his credit in a bank, the cash of the bank is increased, and its ability to lend is restored. Only if sellers of shares as a class keep most of their funds in cash about the house or in sterling does lending to buyers of shares seriously limit the ability of the banking system to lend to trade and industry.

A quite usual tool of central banking policy designed to limit or check inflation is the margin requirement, which when raised forces buyers of shares to buy on a larger cash basis, sometimes even 100%. This move is made not because funds would be lost to industry, but because it is through the stock market that funds reach the commodity markets.

The Hongkong & Shanghai Bank did the right thing but the article gives a wrong reason, although a careful reading would indicate that the introduction of the 'banking principle' to explain these actions is superfluous. The credit policy can easily be explained in other terms.

One further observation relative to the Hongkong and Shanghai Bank as a central bank would be of interest. The bank did not raise interest rates on all accounts to the same level. Some overdrafts were required to pay 6%, others 8%. The rate depended at least to some extent on what the customer was using his overdraft for, in other words, the Hongkong and Shanghai Bank, and the other banks which followed this practice, were using the central-bank weapon of selective credit control. Such a weapon can only be used in Hongkong where the role which the Hongkong and Shanghai Bank plays in a particular credit field is sufficiently dominating to be decisive, or where the ultimate credit comes from that bank. It is doubtful, for example, if the bank would be so successful in restricting consumer credit, if other lending agencies and banks in the colonies, as well as the retailers themselves, did not agree with the basic soundness of the move. But the dominant position of the Hongkong Bank in the field of loans to brokers is unquestioned.

The actions of the past few months have been particularly interesting, since Hongkong is one of the last great economic and banking centres to be without its own central bank. That there is scope for monetary policy under such circumstances, even with the traditional sterling-exchange standard, is of great importance to the Colony.

—Frank H. H. King  
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## HONGKONG EXCHANGE MARKETS

### PROSPECTS OF HONGKONG

The already oversupplied money market here is getting ever more funds from overseas Chinese in East Asia and in spite of all well-meant efforts by some banks here to induce business men to be more circumspect with their capital there remains an easy money market. Industrial and land development is rushing ahead; the progress in recent months is indeed astounding. Speculative activity is noticed everywhere but that is in the nature of business generally, and in particular in Hongkong.

Most conspicuous is the building construction boom; while skyscrapers are going up in many sectors of the twin cities, new plans—serious plans—are being advanced to demolish more properties and erect in their stead ever more towers of commerce and industry. The public has grown accustomed to learning of the most unusual building projects. While the face of many residential quarters is continually changing, with the addition of new buildings and the development of more hillsides, the business centre and the several pleasure and entertainment districts are also undergoing remarkable changes—over night, as it were.

The fortunes which are thus sunk into the ground are enormous. Nothing comparable to this boom here has been even attempted anywhere in East and Southeast Asia with the sole exception of Japan where, of course, construction

is almost an object of patriotic compulsion. The puzzle is where all these millions came from, how it was possible that great edifices and, for Asian standards, lavish residential and apartment buildings could have been completed in so short a time, and where the finance is coming from for the continuous erection of more impressive and costly buildings. Non-Chinese capital has also contributed to the rapid development but it was mainly Chinese (local, mainland, Taiwan and overseas Chinese) money which went into the houses, factories and other private structures.

The rate of progress here may be taken as an indicator for possibilities in China, and to judge by the industrial and housing construction advance in this territory, the progress claims by Peking must be taken, if not always so at least very often quite seriously. It is therefore not surprising to find that local Chinese are very proud of the achievement here which has been, by and large, a Chinese achievement.

Oversea Chinese, physically and financially, are not a very stable group in their host countries. With rising nationalism and usually justified opposition to alien Chinese 'control' in southeast Asian countries, many Chinese (local born and immigrants) have considered leaving that part of the world—with very little regret shown by the peoples there—and quite a few have come to Hongkong or have transferred their liquid funds to this Colony. Thus Hongkong

has become a treasure island and perhaps the principal sanctuary of Chinese capital. Peking and Taipei do not inspire Chinese investors with confidence though young students seem to be attracted either or both ways.

In Hongkong obtain almost ideal conditions for hot, flight and general investment capital; not that opportunities for profitable investment are amply provided—on the contrary the yields are receding gradually and relentlessly—but there is most moderate taxation and fullest freedom of transfers, and the local currency is convertible into US\$. gold bullion, international securities etc. At the same time, the local dollar remains firmly linked to sterling and its prestige therefore is supreme. Other Asian investors and speculators, sensing the opportunities provided by the remarkable circumstances of Hongkong, have also taken advantage of this sanctuary.

But for long-range investment by non-Chinese there seems one thing to be lacking: political confidence. With the bold claims of Singapore and Kuala Lumpur governments, and the tide of merdeka sweeping over this part of the world, it is no wonder that some people here regard the political prospects not too promising. Looking several years ahead—and a long-range investor would usually do that—one might come to a less optimistic appraisal of possible developments; but perhaps one better does not try to crystal-gaze.

For the week of 28th November to 3rd December 1955.

| Date                            | U.S.\$ |      | Notes |      |
|---------------------------------|--------|------|-------|------|
|                                 | High   | Low  | High  | Low  |
| Nov. 28                         | 586½   | 586¼ | 582½  | 582¼ |
| 29                              | 586½   | 586¼ | 582½  | 581½ |
| 30                              | 586¼   | 586  | 582   | 581½ |
| Dec. 1                          | 586½   | 586  | 582½  | 581½ |
| 2                               | 586½   | 586  | 582   | 581½ |
| 3                               | 586½   | 586½ | 581½  | 581½ |
| D.D. rates: High 584½ Low 583½. |        |      |       |      |

Highest and lowest rates for T.T for the month of November were \$588½ and 585, and for Notes \$584½ and 579½.

Trading totals: T.T. US\$2,880,000, Notes cash US\$505,000 and forward US\$2,170,000, and D.D. US\$460,000. The market was strong with lively increase in tradings but few changes in rates. Not only Japan and Korea were using the facilities here to dispose of their US\$ but Vietnam was now joining also. With all these transactions and gold proceeds from Bangkok, and then the usual oversea Chinese remittances, it will turn out that US\$ will be too plentiful, thus our cross rates may work higher in the near future than those of New York. Last week's cross was 2.73 in T.T. and 2.75 in Notes. In the T.T. sector, funds from Japan, Korea, Bangkok and Vietnam were offered freely, while gold importers and switch exchange operators bought heavily. In the Notes market, shippers were buying eagerly making about four points in the difference. Interest for change over favoured sellers and amounted to \$1.80 per US\$1,000. Speculative positions taken figure at US\$2½ million, per daily average. In the D.D. sector, oversea Chinese remittances were pouring in, and it is ex-

pected that this plethora will continue for several weeks.

Yen: Cash quotations were \$1,475-1,465 per 100,000 or at the cross rate of US\$252½. Some small business was transacted in fictitious forward and change over interest was fixed at \$1.97 per 100,000.

Far Eastern Exchange: Highest and lowest rates per foreign currency unit in HK\$: Philippines 1.9525-1.9425 (crossed at US\$0.332), Japan 0.01465-0.0145 (crossed at US\$0.0025), Malaya 1.881-1.879 (crossed at US\$0.3208), Vietnam 0.07692 (crossed at US\$ 0.0131), and Thailand 0.2618 (crossed at US\$0.0447). Sales: Pesos 420,000, Yen 120 million, Malayan \$350,000, Piastre 9 million, and Baht 5 million. The market was quite active but rates were hardly changed.

Bank Notes: Highest and lowest rates per foreign currency unit in HK\$: England 15.33-15.28, Australia 12.30, New Zealand 13.72-13.65, Egypt 14.80, South Africa 15.35-15.31, India 1.17375-1.17, Pakistan 1.00-0.995, Ceylon 0.98, Burma 0.63-0.62, Malaya 1.825-1.824, Canada 5.815-5.8075, Philippines 1.97-1.94, Macao 1.00-0.99, Switzerland 1.35, France 0.0151-0.015, Vietnam 0.087-0.082, Indonesia 0.165-0.155, and Thailand 0.255-0.251.

| Gold Market |           |          |           |
|-------------|-----------|----------|-----------|
| Date        | High .945 | Low .945 | Macao .99 |
| Nov. 28     | 263½      | 263½     | 264½ High |
| 29          | 263½      | 263½     |           |
| 30          | 263½      | 263½     |           |
| Dec. 1      | 263½      | 263½     | Low 263½  |
| 2           | 263½      | 263½     |           |
| 3           | 263½      | 263½     |           |

The opening and closing prices were \$253½ and 253½, and the highest and lowest were \$253½ and 253½. Highest and lowest prices recorded in the month

of November were \$255½ and 253½. The market was quiet except for actual imports and exports. Bullion importers were mostly operating directly in the Exchange to cover their purchases abroad and thus few new contracts were concluded in the week. The narrow fluctuations discouraged the speculators and it was hopelessly quiet.

Interest for change over in the fictitious forward favoured sellers and amounted to 28 cents per 10 taels of .945 fine. Tradings totalled 44,100 taels or averaged 7,350 taels per day, while speculative positions taken figured at a daily average of 24,500 taels. Cash sales totalled 22,880 taels, of which 1,580 taels listed and 21,300 taels arranged. Imports (unlicensed) were all from Macao and amounted to 19,500 taels. One shipment of 51,200 fine ounces arrived in Macao from Hongkong to be smuggled back within a day or two. Exports figured at a total of 18,500 taels, which were divided 6,500 taels to Bangkok, 5,500 to Singapore, 4,000 to Indonesia, 1,500 to Vietnam, and 1,000 to Rangoon. Differences paid for local and Macao .99 fine were \$12.50-12.30 and 12.00-11.90 respectively per tael of .945 fine. Cross rates in the Exchange were US\$37.76-37.75 per fine ounce; contracts to a total of 8,000 fine ounces were concluded at 37.75 C.I.F. Macao. Gold coins quoted: for US\$20 at \$238, for US\$10 at 122, for US\$5 at 75, for US\$ 2.50 at 59.50, and for Sovereign at 65.

Silver Market: Market further eased off without support and prices dropped again. Bar silver quoted at \$6.10-5.90 per tael with 600 taels traded, \$ coins at 3.85-3.70 with 700 coins traded, and 20 cent coins at 2.97-2.85 with 600 coins traded.



**Chinese Exchange:** Official buying and selling rates of the People's Bank Yuan were unchanged at 685.90-692.70 per £100, 42.70-43.10 per HK\$100, 80.60-81.40 per Malayan \$100, 51.60-52.20 per Indian, Pakistan or Burmese Rupees 100, 58.20-58.80 per Swiss Francs 100, and 14.09-14.23 per 100 Indonesian rupiahs. Official buying and selling rates for US\$ notes were also unchanged at yuan 234.30 and 236.70 per one US dollar. Cash Yuan Notes quoted at \$1.50 per Yuan, with very little business done.

Taiwan Bank Yuan Notes quoted at \$167-164 per thousand, and remittances at 142-138. The market was very quiet.

21.50; Lights (p.p.)—16.30, 16.30, 16.30, 16.40, 16.20; Electric—39.75 39.50, 39.25, 39.25, 39.25; Telephone—32.50, 32, 31.75, 31.75, 32; Cements—34, 33.75, 34, 33.75, 33.75; Dairy Farm—18.90, 18.60, 18.60, 18.60, 18.40; Yangtze—6.80, 6.80, 6.80, 6.80, 6.50. Quotations of popular shares at the end of last week and for the previous week were:

| Share      | Nov. 25 | Dec. 2 | Up or Down |
|------------|---------|--------|------------|
| HK Bank    | 1665    | 1670   | +\$5       |
| Unions     | 915     | 915    | steady     |
| HK Wharf   | 68      | 71     | +\$3       |
| Wheelocks  | 8.85    | 8.30xd | +20c       |
| Providents | 14.60   | 14.60s | steady     |
| HK Docks   | 28      | 28     | steady     |
| Hotel      | 17.40   | 17.40  | steady     |

#### FOREIGN BANKNOTE & TRAVELLERS CHEQUE RATES

| Currencies                | Per Dollar | In H.K. \$ |         | In U.S. \$ |         |
|---------------------------|------------|------------|---------|------------|---------|
|                           |            | Buying     | Selling | Buying     | Selling |
| U.S.A., Travellers Cheque | "          | 5.81       | 5.83    | —          | —       |
| HONGKONG, " "             | "          | 5.83       | —       | 0.1715     | 0.1721  |
| CANADA, " "               | "          | —          | —       | 0.993      | 1.000   |
| M. LAYA, " "              | "          | 5.79       | 5.81    | 0.310      | 0.315   |
| TAIWAN, " "               | "          | 1.81       | 1.83    | 2.693      | 2.874   |
| ENGLAND, " "              | "          | 15.70      | 16.70   | 2.607      | 2.650   |
| Travellers Cheque         | "          | 15.20      | 16.40   | 2.607      | 2.650   |
| AUSTRALIA, " "            | "          | 12.20      | 12.40   | 2.092      | 2.134   |
| NEW ZEALAND, " "          | "          | 13.50      | 13.80   | 2.315      | 2.375   |
| SOUTH AFRICA, " "         | "          | 15.20      | 15.40   | 2.607      | 2.650   |
| PHILIPPINE, " "           | "          | 1.96       | 1.99    | 0.336      | 0.344   |
| JAPAN, " "                | "          | 14.50      | 14.80   | 2.487      | 2.547   |
| FRANCE, " "               | "          | 14.90      | 15.10   | 2.555      | 2.599   |
| SWITZERLAND, " "          | "          | 1.32       | 1.40    | 0.226      | 0.241   |
| BELGIUM, " "              | "          | 10.00      | —       | 1.715      | —       |
| INDIA, " "                | "          | 1.16       | 1.18    | 0.199      | 0.203   |
| PAKISTAN, " "             | "          | —          | 1.01    | —          | 0.174   |
| CEYLON, " "               | "          | 0.96       | 1.00    | 0.165      | 0.172   |
| BURMA, " "                | "          | 0.61       | 0.64    | 0.105      | 0.110   |
| THAILAND, " "             | "          | 25.00      | 26.00   | 4.288      | 4.475   |
| INDONESIA, " "            | "          | 16.00      | 17.00   | 2.744      | 2.926   |
| MACAU, " "                | "          | 0.98       | 1.00    | 0.168      | 0.172   |
| SWEDEN, " "               | "          | 95.00      | —       | 16.293     | —       |
| NORWAY, " "               | "          | 66.00      | —       | 11.319     | —       |
| DENMARK, " "              | "          | 70.00      | —       | 12.005     | —       |
| GERMANY, " "              | "          | 1.28       | —       | 0.220      | —       |
| ITALY, " "                | "          | 8.50       | —       | 1.458      | —       |
| NETHERLANDS, " "          | "          | 1.30       | —       | 0.223      | —       |

#### HONGKONG SHARE MARKET

Trading was not very active last week. Interest centred mainly on Banks, Wharves, Wheelocks, Lands, Trams, Yuamatis, and other utilities. Many of these shares edged up on Monday but the market was slow and it was only when quotations eased during the second half of the week that business picked up. Only Banks, Wharves and Wheelocks registered gains on the week. Other popular shares were slightly lower than the previous week. Pronounced drop is improbable. Banks first went up to \$1675, came down to \$1670, up again to \$1575, dropped to \$1665 and settled at \$1670 on Friday. Other fluctuations were: Unions—\$915, 910, 920, 915, 915; HK Wharf—70, 71, 72, 71½, 71; Wheelocks—8.85, 8.85, 8.90, 8.30xd, 8.30xd; Providents—14.60, 14.60, 15.70, 14.50, 14.60; HK Docks—28.10, 28.10, 28.10, 27.80, 28; Hotel—17.40, 17.40, 17.40, 17.10, 17.40; Land—61, 61, 60½, 60, 60; Tram—22.70, 22.70, 22.60, 23, 22.50; Yuamati—105, 105, 103, 102, 102; Lights (f.p.)—22.10, 22.10, 22.10, 22.10,

|                  |       |        |      |
|------------------|-------|--------|------|
| Land             | 60.50 | 60     | —50c |
| Tram             | 22.80 | 22.50  | —30c |
| Yuamati          | 103   | 102    | —\$1 |
| Lights (F. Paid) | 22.30 | 21.50  | —80c |
| Lights (P. Paid) | 16.30 | 16.20s | —10c |
| Electric         | 39.50 | 39.25s | —25c |
| Telephone        | 32.25 | 32     | —25c |
| Cements          | 34.25 | 33.75  | —50c |
| Dairy Farm       | 18.80 | 18.40  | —40c |
| Yangtze          | 6.90s | 6.50   | —30c |

**Monday:** Apart from some renewed demand for Cotton shares, the market was featureless. The turnover amounted to about \$640,000. **Tuesday:** The market was dull but the undertone remained steady. The turnover amounted to \$460,000. Price movements were few and small. As from December 1, 1955, Board Lots for Nanyangs and Textiles will be 1,000 shares. **Wednesday:** Trading was almost at a standstill during the half day session. A few scattered transactions resulted in a meagre turnover of \$280,000 and price changes were negligible. The tone of the market, however, was steady throughout. The Secretaries for Yangtze Finance announced that at the close of business on November 29, 1955, the shares had a statistical value of \$8.21. **Thursday:** The turnover amounted to about \$450,000. Wheelocks recovered a fair part of their dividend but

Watsons and Dairy Farms both lost ground. **Friday:** Although market conditions continued to be quiet, prices were fractionally better. The turnover amounted to \$690,000. Watsons found support at lower levels and there was some demand for Docks, China Lights and Dairy Farms. Cotton shares also attracted some attention. The undertone was steady at the end of the week.

#### DIVIDENDS

The Local Printing Press, Ltd. will pay a dividend (for the year ended June 30, 1955) of \$2 per share, free of tax, on the old shares and \$1 per share on the new shares. The Ayer Tawah Rubber Plantation Co., Ltd. will pay a final dividend of 70 cents per share, free of tax, making a total of \$1 for the year ended September 30, 1955.

#### Hongkong Stock Exchange in November

Credit restrictions following closely on the increase in interest rates caused uncertainty in the market and had a restraining effect on its activities. Investors are adopting a wait and see attitude but at lower levels, cautious buying had a steadying effect. At the close a firmer tone prevailed.

**Banks and Insurances.** A number of Hongkong Banks changed hands at prices from \$1,710 to \$1,650. Unions were done from \$940 to \$915 ex dividend. Only a small lot of Lombards changed hands during the month. **Shipping.** Wheelocks came in for some attention at various rates, closing lower than the month's opening price. **Docks, Wharves, etc.** Hongkong Docks & China Providents were enquired for, and business resulted at lower prices than have ruled recently. **Lands, Hotels, etc.** A steady demand for Lands (O), Land Rights and Hotels continued during the month and prices recovered slightly from the sharp drop following announcement of restricted credit. **Public Utilities.** The demand for shares in this group was maintained and prices remained fairly steady, although Yuamati Ferries were done as low as \$100, but recovered subsequently. **Industrials.** Cements led in this group and a fairly large number of shares changed hands from \$36½ to \$30½. Metal Industries were dealt in at \$2. **Stores.** A fair number of Dairy Farm shares were dealt in. Other shares in this group were neglected. **Miscellaneous.** Apart from business reported in Allied Investors, very little interest was shown here. **Cottons.** Textiles came in for attention but little interest was shown otherwise. **Rubbers.** Amalgamated and Rubber Trusts were in the lead at rates influenced largely by Raw Rubber prices.

Dividend announcements were made by Eastern Asia Navigation Co., Wheelock Marden & Co., China Light & Power Co., Sandakan Light & Power Co. and Allied Investors Corporation Ltd. The Macao Electric Lighting Co.

has issued a Capital Bonus of 1 new share for every 4 held.

Business during November: \$18,161,242. Business in 1954: \$251,976,029. Business in Jan.-Nov. 1955: \$318,291,673. Business in November 1954: \$24,741,776.

| Business During November   |                |
|----------------------------|----------------|
|                            | Qty. of Shares |
| H.K. Govt. Loan            |                |
| 3½% .. (1934 & 1940) ..... | \$2,000        |
| 3½% .. (1948) .....        | \$184,000      |
| H.K. Bank                  | 688            |
| Bank of East Asia          | 30             |
| Lombard Insurance          | 200            |
| Union Insurance            | 363            |
| Union Waterboats           | 300            |
| Asia Navigation            | 8,000          |

|                       | Qty. of Shares |                  | Qty. of Shares |
|-----------------------|----------------|------------------|----------------|
| Wheelock Marden       | 184,400        | Metal Industries | 5,300          |
| Wharf Co.             | 1,700          | Dairy Farms      | 34,860         |
| C. Providents         | 17,599         | Watson           | 100            |
| H.K. Docks            | 6,636          | Lane Crawfords   | 100            |
| H.K. & S. Hotels      | 43,400         | Sincere          | 100            |
| H.K. Lands (O)        | 18,126         | Kwong Sang Hong  | 186            |
| do (N)                | 200            | Wing On          | 60             |
| do (Rts)              | 4,916          | Vibro Piling     | 500            |
| Humphreys (O)         | 1,000          | Yangtze          | 126            |
| " (N)                 | 500            | Allied Investors | 42,500         |
| Realty                | 144,000        | Ewo Cotton       | 1,000          |
| H.K. Trams            | 24,510         | Textiles         | 19,500         |
| Peak Tram (P. Pd.)    | 1,000          | Nanyang Mill     | 4,000          |
| Yaumati Ferry         | 9,255          |                  |                |
| China Lights (F. Pd.) | 61,590         |                  |                |
| " (P. Pd.)            | 21,381         |                  |                |
| H.K. Electric         | 71,354         |                  |                |
| Macao Electric        | 309            |                  |                |
| Telephones            | 50,698         |                  |                |
| Cements               | 78,377         |                  |                |
| Ropes                 | 100            |                  |                |

| Rubber             |         |
|--------------------|---------|
| Amalgamated Rubber | 218,678 |
| Java-Consolidated  | 3,700   |
| Langkat            | 7,200   |
| Rubber Trust       | 74,107  |
| S'hai Kelantan     | 7,000   |
| Sungala            | 1,000   |

## HIGHEST & LOWEST QUOTATIONS FOR SHARES DURING THE FIRST TEN MONTHS OF THIS YEAR

|   | Highest      | Lowest  |  | Highest    | Lowest  |
|---|--------------|---------|--|------------|---------|
| H.K. Government 3½% .....                     | (1934) \$97½ | \$94    | Sandakan Light & Power Co., Ltd.                                     | \$9½       | \$9     |
| Do. 3½% .. (1940) .....                       | \$97½        | \$94    | Hongkong Telephone Co., Ltd.   | \$37¼      | \$29.20 |
| Do. 3½% .. (1948) .....                       | \$94½        | \$91½   | Shanghai Gas Co., Ltd.   | \$0.90     | \$0.90  |
| <b>Banks</b>                                  |              |         |  |            |         |
| H'kong. & S'hai B'king Corp.                  | \$2200       | \$1530  | <b>Industrials</b>   |            |         |
| " London Register                             | \$117½       | \$88    | Green Island Cement Co., Ltd.  | \$48       | \$26.80 |
| Bank of East Asia, Ltd.                       | \$286        | \$210   | " (X All) \$27   |            | \$25.30 |
| <b>Insurance</b>                              |              |         |  |            |         |
| Lombard Insurance Co., Ltd.                   | \$58         | \$49½   | Hongkong Rope Manufacturing Co., Ltd.                                | \$18½      | \$17    |
| Union Ince. Socy. of Canton, Ltd.             | \$1070       | \$905   | Metal Industries Corporation Ltd.                                    | \$2.625    | \$1¾    |
| China Underwriters, Ltd.                      | \$10.60      | \$9.30  | " (X All) \$2.45   |            | \$2.10  |
| <b>Shipping</b>                               |              |         |  |            |         |
| Indo-China Steam Navigation Co., Ltd. Def. .. | \$39         | \$35½   | " (Rts) \$0.55   |            | \$0.02  |
| Union Waterboat Co., Ltd.                     | \$22.80      | \$19    | <b>Stores, Etc.</b>  |            |         |
| Eastern Asia Navigation Co., Ltd.             | \$1.05       | \$0.73  | Dairy Farm, Ice & Cold Storage Co., Ltd. ..                          | (O) \$25 ) | \$19.90 |
| Wheelock Marden & Co., Ltd.                   | \$10.70      | \$6.90  | " (N) \$21.90 )  |            |         |
| <b>Docks, Wharves &amp; Godowns</b>           |              |         |  |            |         |
| Hongkong & Kowloon Wharf & Godown Co., Ltd.   | \$83         | \$62    | A. S. Watson & Co., Ltd.   | (O) \$18   | \$13.10 |
| Shanghai & Hongkew Wharf Co., Ltd.            | \$1.20       | \$1.15  | " (N) \$17.10  |            | \$16½   |
| Hongkong & Whampoa Dock Co., Ltd.             | \$29.70      | \$23.40 | Lane, Crawford, Ltd.   | \$38       | \$25    |
| China Provident Loan and Mortgage Co., Ltd.   | \$17.10      | \$11.80 | Caldbeck, Macgregor & Co., Ltd.                                      | \$23½      | \$20¼   |
| " (X All) \$12.10                             |              | \$11.80 | Sincere Co., Ltd.  | \$1.80     | \$1.65  |
| Shanghai Dockyards, Ltd.                      | \$1.40       | \$1.175 | China Emporium, Ltd.   | \$10       | \$9.40  |
| <b>Lands, Hotels &amp; Buildings</b>          |              |         |  |            |         |
| Hongkong & Shanghai Hotels, Ltd.              | \$20.90      | \$14.70 | Kwong Sang Hong Ltd.   | \$162      | \$158   |
| Hongkong Land Investment and Agency Co., Ltd. | \$76½        | \$63    | Wing On Co., Ltd.  | \$55       | \$51    |
| " (O)   | (X All) \$65 | \$64    | <b>Miscellaneous</b>   |            |         |
| " (Rts)                                       | \$38         | \$37    | China Entertainment & Land Investment Co., Ltd.                      | \$19.80    | \$16    |
| Shanghai Land Investment Co., Ltd.            | \$1½         | \$0.85  | International Films Ltd.   | \$0.20     | \$0.20  |
| Humphreys Estate & Finance Co., Ltd.          | \$25.60      | \$21.80 | H.K. Engineering & Construction Co., Ltd.                            | \$5¼       | \$4.55  |
| " (X Rts) \$17                                |              | \$16.20 | Vibro Piling Co., Ltd.   | \$23.80    | \$15¼   |
| " (Rts) \$6½                                  |              | \$5     | Yangtze Finance Co., Ltd.  | \$8.35     | \$5.90  |
| " (O) \$21                                    |              | \$18.40 | Allied Investors Corporation, Ltd.                                   | \$6.10     | \$4.175 |
| " (N) \$20                                    |              | \$18.70 | <b>Cotton Mills</b>  |            |         |
| Hongkong Realty & Trust Co., Ltd. ... X.D.    | \$2.675      | \$1.925 | Ewo Cotton Mills, Ltd.   | \$1        | \$0.85  |
| <b>Public Utilities</b>                       |              |         |  |            |         |
| Hongkong Tramways, Ltd.                       | \$26.30      | \$19.60 | Textile Corporation of H.K., Ltd.                                    | \$6.80     | \$5     |
| Peak Tramways Co., Ltd. (F. Pd.)              | \$70         | \$70    | Nanyang Cotton Mill Ltd.   | \$9½       | \$7.60  |
| Star Ferry Co., Ltd.                          | \$158        | \$131   | <b>Rubbers, etc.</b>   |            |         |
| Hongkong & Yaumati Ferry Co., Ltd.            | \$191        | \$105   | The Amalgamated Rubber Estates, Ltd.                                 | \$2.425    | \$1.675 |
| " (X All) \$114                               |              | \$112   | The Ayer Tawah Rubber Plantation Co., Ltd.                           | \$5.65     | \$4     |
| China Light & Power Co., Ltd. ... (F. Pd.)    | \$24½        | \$16.60 | Java Consolidated Estates, Ltd.                                      | \$1.925    | \$0.75  |
| " (P. Pd.)                                    | \$19.20      | \$13¾   | Langkat  |            |         |
| Hongkong Electric Co., Ltd.                   | \$46         | \$33¾   | N.V. Maatschappij Tot Mijns-Bosch-En Landbouweexploitatie in Langkat | \$1.95     | \$1.70  |
| Macao Electric Lighting Co., Ltd.             |              |         | The Rubber Trust, Ltd.   | \$3.55     | \$2.15  |
| " X. Bonus Issue                              | \$12.60      | \$10.90 | The Shanghai Kelantan Rubber Estates (1925) Ltd.                     | \$1.375    | \$0.70  |

## NOVEMBER TRADE REPORTS

Hongkong's trade for November totalled \$537,285,617; Imports—\$341,479,126 and Exports—\$245,806,491. Compared with the preceding month there was an improvement of \$49,304,270 with imports up by \$27,078,627 and exports by \$22,225,643. The aggregate volume for the first eleven months this year amounted to \$5,657,994,786; an in-

crease of \$355,016,118 over that for the same period in 1954. In the local market in November, Korea and S.E. Asia provided strong demand for various commodities. Japan was keen in China produce and metal scraps and UK in local manufactures. Export to Taiwan improved slightly; shipments to China consisted mainly of pharmaceuticals, fertilizers and industrial chemicals.

**Trade Restrictions:** North Borneo required imperial preference certificate for Hongkong goods, while Kenya re-

nounced the requirement of certificate of origin for samples of Hongkong products. Mother of pearl may be exported to US without certificates.

**Insurance Rates:** Insurance rates for ships running the China-Europe and China-HK routes were reduced by 25-50%.

**China Trade:** China concluded trade agreements with Syria, Egypt, Czechoslovakia, and East Germany, and conducted trade negotiations with Yugo-



slavia, Italy, Pakistan, and Denmark. Cement and sugar were sent from China to Vietnam under the trade agreement between the two countries. From the local market China purchased fertilizers, pharmaceuticals and industrial chemicals. To Hongkong, China sent the usual items of China produce. Contracts aggregating more than \$10-million were signed between Hongkong merchants and government authorities in Canton.

**Taiwan Trade:** Taipei negotiated to improve trade with Korea and the Philippines. Exports from here to Taiwan included metals, pharmaceuticals and industrial chemicals. In return, Taiwan sent here sugar, citronella oil and other staples. Export prices of camphor and its by-products were readjusted by Taipei to encourage more export.

**Japan Trade:** Japan enforced a 13% cut on steel output as a result of the shortage of scraps. Negotiations were in progress for the Japan-Burma-America triangle trade. From here Japan bought China produce and metal scraps. To Hongkong Japan shipped cement, textiles, sugar and sundries.

**Korea Trade:** Demand from Korea remained strong throughout the month. The volume of business would have been larger had there been more stocks or near-forwards. Items in demand were paper, piecegoods, pharmaceuticals, industrial chemicals, and woollen yarn. Paints and knitting woollen yarns of below 20's were no longer allowed for entry into Korea. Seoul invited tenders for the supply of cigarette paper, copper plate, welding electrodes, tobacco cutters, cigarette making machines, celophane wrapping machines, steel warehouses, shipbuilding materials, marine diesel engines, etc. Korean exports to Hongkong remained sluggish.

**Indonesia Trade:** Indonesia banned the entry of 11 commodities including certain categories of piecegoods. Import surtax will be levied on imports under old licences as from December 1st. In the local market, Indonesia bought cotton yarns, textiles, paper and metals. Her exports to Hongkong showed improvement.

**Thailand Trade:** Bangkok enforced new measures to encourage exports and to protect home industries. Meanwhile, new import licences were issued for cotton yarns, garlic, pottery wares, enamels, native paper and several other items. To HK, Thailand sent large shipments of rice throughout the month. In return, Thailand bought substantial quantities of Hongkong manufactured goods as well as Japanese products from the local market.

**Indochina Trade:** Vietnam obtained another \$22.7 million aid from US. Trade with Hongkong improved as both Vietnam and Cambodia stepped up purchases in textiles, pharmaceuticals, food-

stuffs, industrial chemicals, structural materials, aluminiumware, shirts, rubber shoes and other HK products. Shipments of maize, feathers, cassia lignea and other staples from Indochina to HK registered increases, mostly for re-export to Japan.

**Philippine Trade:** Manila approached Taiwan for garlic. The barter trade between Hongkong and the Philippines was handicapped by difficulties in the selling of Philippine produce here.

**Burma Trade:** Rangoon invited tenders for the supply of cotton yarns, cotton textiles, and staple fibre yarns. In the local market, purchases made by Burma were insignificant. Burma exports to Hongkong, such as beans, maize, rice and timber, registered sharp increases.

**China Produce:** Japan and SE Asia maintained strong demand throughout the month. Bitter almond made considerable advances on short supply and keen demand. Maize registered substantial exports to Japan but failed to gain due to low buying offer and abundant supply. Groundnut kernel enjoyed brisk local consumption as well as sales to Japan with slight gains. Sesame and castor seed advanced under continuous demand from Japan; linseed was steady on purchases by the same source. Demand for woodoil was strong but tightened supply situation curbed the business; citronella oil went up under increased export demand; aniseed oil, cassia oil, peppermint oil, and tea-seed oil were favored by Europe at steady prices. Groundnut oil remained firm on steady local demand. Raw silk and silk waste turned more active on demand from Europe and Japan. Soyabean led the bean market during the month, followed by green pea. Black bean and red bean were barely steady.

**Metals:** The market was active with steady local business and exports to SE Asia. Factory items and structural steels dominated the market. Black plate waste which was low in spots, improved under active demand. Mild steel plate advanced on strong demand from Taiwan. Tin and black plate firmed up on orders from Korea. Galvanized iron sheets and pipes were steady with local sales and exports to SE Asia. Iron wire nails turned active toward the end of the month; steel wire ropes of HK origin registered improved exports; aluminum sheets and copper sheets gained on indent increases; mild steel angle bars and mild steel joists moved up on purchases by Thailand; metal scraps remained popular with Japan; while zinc sheets were still below indent costs.

**Paper:** The paper market recorded brisk local sales as well as exports to Korea and SE Asia. Prices of most popular items improved; business however was curtailed by low supply.

Aluminium foil was favored by Korea but stocks were insufficient to meet the demand. Woodfree printing drew keen demand from Korea but the business was slowed down by price differences and stock shortage. Transparent cellulose paper, in the same situation, was further strengthened by Indonesian demand and indent increases. Tissue paper faced an acute shortage here as new indent offers were unavailable even at higher prices. Straw board enjoyed better demand at improved prices and duplex board advanced on active local absorption. Art printing, manifold bond paper, and MG cap were confined only to local trading. Cigarette paper in reams was low in stock; selling resistance was developed. Exports of MG pure sulphite and newsprints to Korea were restricted by low buying offers from Seoul.

**Industrial Chemicals:** There were more local sales than exports during the month. Export enquiries were plenty but not many resulted in actual business. Soda ash and sodium cyanide firmed up on low stock and demand from Korea. Shellac climbed up on indent increase although export was still sluggish. Boric acid improved on Korean purchases in the last week of the month. Borax granular maintained firmer trend throughout the month although there were only limited local sales. Chlorate of Potash was stimulated by orders from Korea. Formalin drew support from Taiwan and Korea, but failed to improve on low buying offers. Gum damar maintained high price on short stock while gum arabic eased when indent price came down. Stearic acid gained on enquiries from Taiwan and Korea. Sulphuric acid of HK origin enjoyed active Korean demand; near forwards were exhausted. Titanium dioxide remained firm on dwindled stock while zinc oxide was effortless in spite of purchases by Thailand.

**Pharmaceuticals:** The market registered only limited exports and local sales. Pharmaceuticals from here to Thailand had to pass laboratory tests there before admitted. Saccharum lactose and dihydrostreptomycin registered brisk local business; santonin, PAS powder, aspirin powder and glucose powder were favored by Korea; while saccharine crystal firmed on strong demand from SE Asia. China bought sulphadiazine powder and Taiwan favoured quinine ethylcarbonate; both items enjoyed active local sales as well. Penicillin preparations were steady on local demand.

**Cotton Yarns & Textiles:** It was a bright month for the cotton yarns which enjoyed increasing local and export demand. Local mills were operating at full capacity and most of them were booked up to April next year. Hongkong yarns were firm with orders from UK, Indonesia and local weavers and knitting factories. Indian and Japanese yarns recovered from early declines



with improved demand. Pakistan yarns maintained active business throughout the month; prices went up on higher cost. Japanese staple fibre yarn remained dull. Trading on textiles during the month was active with orders from S.E. Asia and U.K. Chinese textiles enjoyed good local business while HK drills attracted keen UK demand. Japanese textiles were also actively traded; white shirting enjoyed good demand from shirt manufacturers.

**Rice:** Prices moved up during the month. To check the rising trend, authorities increased the import quota for the 4th quarter to 69,000 tons.

**Wheat Flour:** Market was sluggish throughout the month. Heavy stock plus new arrivals forced prices down.

**Sugar:** Market started sluggish and improved in the middle of the month on rumours of Japanese export restriction as well as the belated arrival of new supplies. Supply situation turned normal towards the end of the month; prices eased. Taikoo sugar remained firm throughout the month.

**Cement:** November was a dull month for cement, particularly for Japanese cement. As a result, Japan reduced cement quota for HK to 17,400 tons next month. Hongkong products remained steady with local sales.

**Hongkong Products:** The first traveling display of Hongkong products has been installed on m/v "Ruys". More items of Hongkong manufacture such as embroidered bags, sandalwood fans and silk garments were admitted for entry to the US under comprehensive certificates of origin. Local torchlight manufacturers were required to submit detailed cost accounts for exports to UK under imperial preference. Hongkong manufacturers were cautioned against the use of plastic or vinyl materials on articles for UK in order to avoid heavy import duty there.

## COMMODITY PRICES ON NOVEMBER 30

### CHINA PRODUCE

(Prices per picul unless specified otherwise)

**Aniseed Star:** Kwangsi, export packing, \$92. **Bran (Wheat):** HK, \$24.50. **Bran (Rice):** Thai, 1st grade \$27.10; Sourabaya, 1st grade, \$26.50. **Cassia Ligna:** Kwangtung/Kwangsi, 1-cwt bale \$55.50; 80-lb bale \$52; in bulk \$51. **Callnut:** Szechuen, forward \$118. **Garlic (not toasted):** Tientsin \$51. **Gypsum:** Hupeh, white \$7.60. **Fluorspar:** Hunan 85% £10.10.0 per metric ton c & f Japan. **Tin Ingot:** Straits 99.75% \$740. **Hog Bristle:** Tientsin No. 55 black 30/3d per lb c & f Europe; Hankow No. 17 black 24/11d per lb c & f Europe. **Raw Silk 20/22 denier:** Shanghai, white A grade \$3,335; B grade \$3,310; C grade \$3,300; Canton, AA grade for-

ward \$3,180. **Dried Red Chilli:** Szechuen \$110; Hunan \$103. **Rosin:** Kwangtung, AA grade \$1,109 per metric ton; A grade \$1,092 per metric ton. **Sesame:** Africa, yellowish-white \$67; Thai, black, new crop, \$63; Vietnam, brown, \$57; Hankow, white, \$84.50. **Castor Seed:** North China £50.- per metric ton cif Japan. **Mustard Seed:** North China, \$86. **Linseed,** North China, £59.- per metric ton cif Japan. **Silk Waste:** Szechuen, spun silk tops, 60-kilo case, A grade \$1,960 per case; Liao-tung, B grade, tussah silk waste 70/0d cif Japan; Kwangtung, A grade, long waste \$1,560 per metric ton. **Tea:** Flowery, Fukien, 1st quality \$2,000; Oolong, black, Fukien, 1st quality \$395; Black, Hunan, 1st quality \$385; BOP black, Taiwan, \$200; Powchong, Jasmine, Taiwan, 2nd quality \$380. **Spun Silk:** Shanghai, 210/2 50-kilo case \$1,960 per case; 140/2 50-kilo case \$1,691 per case; Shanghai, A grade, bourrettes, 8/0d per kilo c & f Japan. **Aniseed Oil,** in drum \$1,710; **Camphor Oil:** Taiwan, refined, in drum \$226; Kwangsi, crude \$175. **Castor Seed Oil,** in drum \$95. **Cassia Oil:** 80-85% in drum \$1,370. **Citronella Oil:** Taiwan \$10.62 per lb. **Peppermint Oil:** Shanghai, Polar Bear brand \$26.80 per lb. **Teaseed Oil:** in bulk \$95. **Wood Oil, Refined:** in bulk, spot \$186; in bulk, forward \$179; in bulk £190/10 per metric ton c & f London. **Almond, Bitter:** Tientsin, red membrane, large, jobber's price \$450. **Alum:** Wenchow \$20. **Coir Fibre:** Szechuen, A grade 50% 12"/18", 50% 18"/24" \$95. **Galangal:** Kwangtung, A Grade \$26; **Ginger,** dried: Szechuen, whole \$146. **Hop Seeds:** Tientsin \$60. **Rhubarb:** Tientsin, 1st quality \$35. **Silk Wadding:** Shanghai, forward \$38.50 per kilo. **Talcum Powder:** Kwangsi \$135.50 per metric ton. **Teaseed Cake:** Kwangtung/Kwangsi, new stock \$12.80. **Turmeric:** Taiwan, B grade \$63; North-west China, \$76. **Black Bean:** Shanghai \$58; Kwangsi 2nd quality \$38; Pakhoi \$38. **Red Bean:** Tsungming \$68; Shantung \$67; Vietnam \$43. **Green Soya Bean:** Hopeh \$45.30. **Yellow Bean:** Dairen, 1955 crop \$48; 3rd quality, old stock \$43; Thai, large \$34. **White String Bean:** Hopeh, new crop \$39.50. **Green Bean:** Inner Mongolia, \$42.50; Thai, large, new stock \$35; Anhwei, mixed \$28.40; Hankow, 3rd quality \$25.80; **White Peas:** Vietnam \$47. **Groundnut, Shelled:** Tsingtao, new crop, F.A.Q., forward \$1,180 per metric ton; Africa, new stock, large \$73; Thai, unselected \$64.

### METALS

(Prices per picul unless specified otherwise)

**Mild Steel Angle Bars:** Cont. or Jap., 1/8" x 1" x 1", \$47; 3/16" x 1-3/4" x 1-3/4" \$44; 5/16" x 2 1/2" x 2 1/2" \$44. **Mild Steel Flat Bars:** Cont. or Jap., 1/8" x 3/4" \$46; 1/8" x 1" \$46; 1/4" x 1"—2" \$45; Hongkong, 1/8" x 5/8" \$45; 1/4" x 1" \$44. **Mild Steel Round Bars:**

Cont., 40' length, 1/4" to 3/8" \$45; 5/8" to 1 1/2" \$44; Hongkong 20-40" length, 1/4" \$46; 3/8" to 1" \$44. **Mild Steel Square Bars:** Cont. or Jap., 20"—22" length, 1/2" \$47; 5/8" to 1 1/2" \$46. **Mild Steel Plate:** Jap., 4' x 8', 1/16" \$56; 3/32" \$55; 1/8" \$50; 3/16" to 3/8" \$48. **Steel Wire Rope:** Hongkong, 24 x 6 x 720", 1 1/2" \$1.50; 1 1/4" \$1.30; 2 1/2" \$1.05, all per lb; U.K. 24 x 6 x 7, 1 1/2" \$1.73; 1 1/4" \$1.60; 2 1/2" \$1.15 all per lb. **Tin Plate Waste Waste:** Electrolytic, US, 18" x 24" \$86 per 200-lbs tin lined case; 1-toh skid \$84; Coked, US, 18" x 24" \$99 per 200-lb case; 1-ton skid \$97 per 200-lbs; U.K. 18" x 24" \$95 per 200-lbs case; Misprint, U.K., 18" x 24" & larger \$49. **Black Plate Waste Waste:** U.K., 18" x 24" & larger G29-G33 \$47.20. **Galvanized Iron Sheets:** Jap., 3' x 7', USG-24 54c; USG-26 55c; USG-28 57c, all per lb; USG-31 \$5.60 per pc. **Tin Plate:** U.K., 20" x 28" 200-lbs tin lined case of 112 sheets, \$122 per case; 30" x 36" G26 58c per lb. **Aluminium Sheets:** Jap., 4' x 8', 99.5% alloy, G22 \$1.96 per lb; 3' x 8' 99.5% G18-G20 \$1.95; G26 \$1.98; G28 \$2.03 all per lb. **Zinc Sheets:** Cont. 3' x 8' G5-G6 \$118; G8-G10 \$123. **Black Iron Pipes:** Cont., 18-22", 1/2" 40c; 1" 69c; 2" \$1.60, all per ft. **Galvanized Iron Pipes:** Cont. 18-22" 1/2" 46c; 1" 77c; 2" \$1.90; 3" \$3.80; 4" \$3.80, all per ft. **Iron Scraps:** Wrought Iron Scraps, 1st choice \$320 per ton; 2nd choice \$200 per ton; Ship Salvaged Iron Plate 3/8" \$30; 1/2" & over \$31.

### PAPER

(Prices per ream unless specified otherwise)

**Aluminium Foil:** U.K. 60 gr. 22-lb ream, 20 x 26" thick, golden colour \$87; Dutch or Austrian, same specification, silver colour \$68. **Duplex Board:** 31 x 43" 250 gr. 240-lb ream, Swedish \$160; Czech \$144; Norwegian \$150; Japanese \$117; 230 gr. 220-lb ream, Swedish \$142; Czech \$135; Austrian \$134; Japanese \$102; Norwegian \$140; Finnish \$138. **Transparent Cellulose Paper:** 36 x 39" 30 gr. Japanese \$71; Italian \$71; French \$70; Belgian \$70. **Newsprint in Reels:** 50-52 gr, 31" US 49c; Canadian 48c; Chinese 45c; Norwegian 48c; Austrian 47c, all per lb. **Newsprint in Reams:** 31 x 43" Cont., 50-52 gr. 50-lb ream \$25.50; Jap., 50 gr. 48-lb ream \$21; Chinese, 50 gr. 48-50 lb ream \$21.50. **M.G. Cap:** 22/23 gr. 17 1/2-lb ream, 25 x 44", Austrian \$12.50; Norwegian \$12.50; Jap., \$11.60; Chinese \$8.80. **M.G. Ribbed Kraft:** 35 x 47", Swedish 40 gr. 47-lb ream \$34; Austrian, 39 gr. 46-lb ream \$32; Jap. 38/39 gr. 45-46-lb ream \$29.50; Cont. 50/160 gr. 75/160-lb ream 72c per lb. **Un glazed Kraft:** 35 x 47", Swedish, 60/140 gr. 75/160-lb ream 72c per lb; Austrian 100/140 gr. 115/160-lb ream 70c per lb; Chinese 40/80-lb ream 60c per lb. **Art Printing:** One-side coated, 31 x 43" 88 gr. 85-lb ream, U.K. \$100; Italian \$96.50; Dutch \$92. Two-side



coated, 31 x 43" U.K. 95/120 gr. 90-100-lb ream \$1.26 per lb; U.K. 92 gr. 88-lb ream \$1.08; Dutch, ordinary \$1.07 per lb. **Woodfree Printing:** 31 x 43" Austrian or Dutch, 50 gr. & below, 43/48-lb ream 85c per lb; 60 gr. & over 57/60-lb ream 80c per lb; 62/83 gr. 65/80-lb ream 83c per lb; Jap. 60/100 gr. 57/100-lb ream 69c per lb; 50 gr. 48-lb ream 70c per lb; Chinese 60/90-lb ream 64c per lb. **Bond:** 22 x 34", white, 60 gr. 32-lb ream, Norwegian or Swedish \$31; Central Europe \$27; Cont. \$24; Jap. \$22.70. **Tissue Paper:** Finnish, 30 x 40", 20 gr. 15-lb ream \$22.50; Norwegian 25 x 44", 17 gr. 13½-lb ream \$21.50; Austrian, \$20. **Strawboard:** 26 x 31", Dutch, 8-16 oz. \$490; Jap. 8-16 oz. \$455; Jap. 20-32 oz. \$560; Chinese 8-16 oz. \$395, all per ton.

## INDUSTRIAL CHEMICALS

**Acetic Acid:** (Glacial 99/100%) German, 25-kilo drum, public godown stock 78c per lb. **Stearic Acid:** Belgian 80-kilo bag, needle form \$1 per lb; Australian 140-lb bag, powder form 67c per lb. **Oxalic Acid:** (crystal) German, 100-kilo barrel, 71c per lb. **Barium Sulphate:** German, 50-kilo bag \$450 per ton. **Bicarbonate of Ammonia:** UK, 2-cwt drum \$661 per ton; German 50-kilo drum \$610 per ton; Polish 50-kilo drum \$445 per ton. **Bleaching Powder:** UK 35% 1-cwt drum \$33 per drum. **Borax** (granular): US 100-lb paper bag \$43 per bag. **Calcium Hypochlorite:** Jap. 60% 50-kilo drum 53c per lb. **Caustic Soda:** Chinese 250-kilo drum \$110 per drum; UK 300-lb drum \$149 per drum; Jap., 300-kilo drum \$144 per drum. **Chlorate of Potash:** French, 100-kilo 63c per lb; UK 50-kilo 63c per lb. **Formalin:** UK 40% volume, 448-lb drum 34c per lb. **Glycerine:** Chinese 20-kilo tin \$1.85 per lb; Dutch, s.g. 1.260, 250-kilo drum, public godown stock \$2.15 per lb. **Gum Arabic:** Sudan, 100-kilo bag 97c per lb. **Linseed Oil:** UK 400-lb drum \$118 per picul. **Lithopone** (30%): Dutch 50-kilo paper bag 34.75c per lb. **Red Phosphorus:** Canadian 11-lb tin 1/10 case \$290 per case. **Rongalite C** (Lump): French \$1.02 per lb. **Rosin:** US 517-lb drum \$82 per picul. **Shellac:** Indian, No. 1, 164-lb case \$380. **Soda Ash:** Chinese, 80-kilo bag \$22.50 per bag; UK dense \$32.50 per bag; UK light \$26 per bag; Jap. dense \$31.50 per bag. **Sodium Bichromate:** Australian, 560-lb drum, public godown stock 92c per lb. **Sodium Cyanide:** German, 50-

kilo drum \$1.17 per lb. **Sodium Hydro-sulphite:** French, 50-kilo drum \$162; German, 100-kilo drum \$160; UK, 50-kilo drum \$170; US, 250-lb drum \$160 all per picul. **Sodium Nitrate:** German, 50-kilo gunny bag \$27.50 per picul. **Sulphur Powder:** German, 50-kilo bag \$36; US 100-lb bag \$35 all per picul. **Industrial Tallow:** Australian, No., 300-kilo drum \$80 per picul. **Tanning Extract:** Mimosa 57c per lb; Quebracho 78c per lb. **Titanium Dioxide:** UK, 56-lb paper bag \$1.75 per lb; German, 50-kilo gunny bag \$1.65 per lb.

## PHARMACEUTICALS

**Penicillin-G Procaine Fortified:** 400,000 units per dose—UK, 1957, 36c per vial; French, 1957, 20½c per vial. **Penicillin Ointment:** UK, 2,000 units per 1-oz tube, \$6.70 per doz. **Penicillin-G in Oil, Procaine:** 300,000 units per cc, 10 cc per vial; UK, 1958, \$2.35 per vial; US, 1957 \$2.60 per vial; French, 1957, \$1.65 per vial. **Dihydrostreptomycin:** UK, 1959, 83c per vial of 1 gm; 1959 \$1.40; French, 1958 67c per vial of 1 gm; 1959, 74½c; Japanese, no date 63c per vial of 1 gm. **Sulphadiazine Powder:** UK, 1-cwt drum, \$27 per lb; French, 10-kg tin \$28 per lb; Japanese 10-kg tin \$27 per lb; Danish, 50-kg drum, \$28 per lb. **Sulphaguanidine Powder:** French, 50-kilo drum \$7.10 per lb; Italian, 1-cwt drum \$7.10 per lb. **Sulphathiazole Powder:** French, 50-kg drum \$9.10 per lb. **Sulphanilamide Powder:** US, 200-lb drum, \$4.20 per lb; UK, 1-cwt drum, \$4.25 per lb; German, 50-kg drum, \$4.10 per lb. **Quinine Ethylcarbonate:** Dutch \$2.45 per 1-oz carton. **Quinine Sulphate:** Dutch, \$130 per 100-oz tin. **Amidopyrin:** French, \$16.50 per lb; US, \$17 per lb; UK \$16.20 per lb. **Phenacetin:** Dutch, 50-kilo drum, \$5 per lb; UK \$5.40 per lb; German \$5 per lb. **Saccharum Lactose:** Dutch, 100-kg case, 90c per lb; German, 1-cwt case, 90c per lb; UK, 56-lb tin, \$1 per lb. **Santonin:** UK, 1-kg tin \$17.80 per oz.

## COTTON YARNS

(Prices per bale unless specified otherwise)

**Hongkong Yarns:** 10 Counts, \$810 to \$900; 12's, \$920; 16's, \$1,050; 20's, \$1,060 to \$1,170; 26's, \$1,240; 32's, \$1,340 to \$1,440; 40's, \$1,560; 42's, \$1,710. **Indian Yarns:** 20's, \$910 to \$940; 32's, \$1,170. **Japanese Yarns:**

32's, \$1,450 to \$1,470; 40's, \$1,540 to \$1,600; 42's, \$1,630 to \$1,680.

## COTTON PIECE GOODS

(Prices per piece unless specified otherwise)

**Grey Sheetings:** Chinese, 72 x 69, 36" x 40 yds, \$38; HK, 60 x 56, 36" x 40 yds, \$38.50 to \$39.50; Japanese, No. 2023, \$38.50, No. 2003, \$38.50. **White Shirting:** Japanese, No. 16000, \$43.70; No. 10000, \$43.70.

## RICE

(Prices per picul unless specified otherwise)

**White Rice:** Thai, Special 3% 2nd quality \$64; A-5%, new crop \$62.80; B-10% new crop \$59.30; C-15% new crop \$56.80. **Three Quarter Rice:** Thai, 1st class, \$53.10; 2nd, \$51; 3rd, \$47.50. **Broken Rice:** Thai, C-1 special, \$32.90; C-1 ordinary \$30.80. **Glutinous Rice:** Thai, 1st quality, AA \$58.80.

## WHEAT FLOUR

(Prices per bag of the designated weight)

**Australian:** 50-lb bag \$12.80 to \$13. **American:** 50-lb bag \$12.60 to \$13.50; 100-lb bag \$23. **Canadian:** 50-lb bag \$15 to \$16.80; 100-lb bag \$32.80. **Hongkong:** 50-lb bag \$11.40 to \$15.20.

## SUGAR

(Prices per picul unless specified otherwise)

**Granulated Sugar:** Taiwan, refined, No. 24 \$42.50; Cuba, brown, \$35.50; Japan, granular, old \$42.80; Taikoo, granulated, \$42.50. **Malt Sugar:** Thai, \$40. **Sugar Candy:** HK, 1st, \$50; 2nd, \$47.50.

## CEMENT

(Prices per bag of the designated weight)

**Green Island Cement:** Emeraldcrete, rapid hardening, 112-lb bag \$8.10; Emerald, 112-lb bag \$7; 100-lb bag \$6.30. **Japanese Cement:** Spot, 100-lb bag \$5.80; 1-cwt bag \$6.50. **White Cement:** Snowcrete, \$64.50 per drum of 375 lbs; 1-cwt bag \$15.50; Bate, 1-cwt bag \$15.30.